



Impact in action:

Building brighter futures

2023 SUSTAINABILITY REPORT



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2023 financials

Amid a challenging macroeconomic environment, we made meaningful progress toward our goals in 2023.



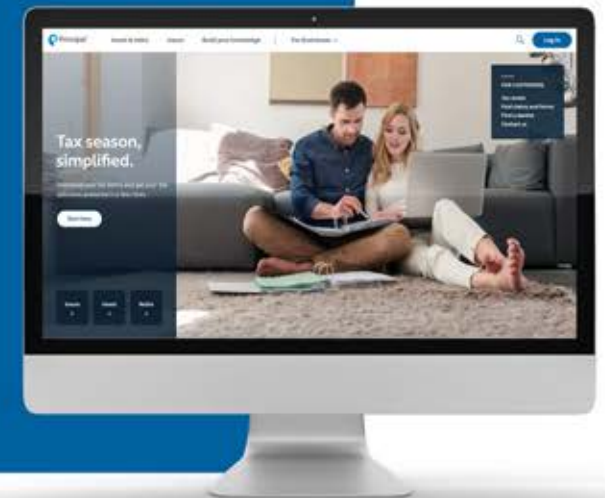
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A letter from our CEO

Principal is committed to expanding the population of those living in financial security through long-term, responsible actions like advocating for financial inclusion and creating new opportunities for generations to come.

Customers want to do business with companies whose values align with their own. Our customers tell us these actions matter to them. They also matter to us. In fact, 2023 will mark my 40th anniversary with the company, and I've personally never known a time when everyone at Principal has been so focused on investing in what matters.

We aspire to create and maintain a work environment based on integrity, respect, community, and trust—so employees can contribute to their full potential and do their best work for our customers.



“
I'm very proud of our nearly 20,000 employees worldwide who understand we have a unique opportunity to improve the lives of others through the work we do each day.”

Dan Houston
Chairman, President, and CEO of Principal

Our U.S. Diversity Index measures how well we're living this out, and the 2023 Index exceeded our goal by nearly five percentage points. Additionally, our culture is regularly recognized by reputable third parties. Key [workplace recognitions](#) in 2023 highlight Principal as an ethical, responsible, and just company; a great place to work in both money management and information technology; a stand-out employer for women—and executive women in particular; and a company known for inclusion, diversity, and innovation.

Research and advocacy are two additional areas where we live out our values. In 2023, Principal sponsored the second annual Global Financial Inclusion Index,¹ providing greater insight into the levers that enable or inhibit financial inclusion in markets around the world. Company leaders continue to use data from the report to drive meaningful conversations and to enrich our understanding of the customers and stakeholders we serve.

Recognizing the pressing climate concerns and investors' interests in supporting climate action, we were honored to participate in COP28, the 28th annual United Nations climate meeting. We shared our views on sustainable investing, especially related to food and biodiversity in the face of a warming world.

That same week we released [research on how global investors can help advance food security](#).

In communities around the world, Principal, together with Principal® Foundation, are leading efforts to foster financial security, diversity, equity, and inclusion—through financial education, volunteerism, grant-making, sponsorship, and more. Principal® Foundation committed \$18 million to our communities in 2023, which is just one piece of the story. The Principal Foundation and Community Relations teams have diligently grown their initiatives globally, ensuring our programs and resources are aligned with our highest priorities.

Additional highlights from 2023:

- In 2021, with support from Principal Foundation, we committed to double the number of diverse small and midsize businesses (SMBs) we support by 2025. We are proud to have achieved that goal in 2023, and we're setting a new goal for 2025.
- From an environmental perspective, we are confident we'll reach our long-term goal of achieving a 65% reduction in our global scope 1 and scope 2 market-based greenhouse gas (GHG) emissions by 2034. Our glide path goal is an average 4.3% reduction per year. We achieved this goal again in 2023, with meaningful decreases in our emissions both in the U.S. and globally. On average, since 2019, we've reduced GHG emissions by 11.5% each year.
- And, through our commitment to sustainable investing, in 2023 we implemented sustainability guidelines for the Principal Life Insurance Company® general account, covering two-thirds of the assets under management in our general account.

I invite you to learn more about these initiatives (and many more) as you read this report, including the progress we're making toward our long-term commitments as shown on page 12. I'm very proud of our nearly 20,000 employees worldwide who understand we have a unique opportunity to improve the lives of others through the work we do each day. Their belief that financial security can and should be more universally accessible is inspiring, as is their dedication to supporting our customers and our communities.

Thank you for your interest in Principal and your desire to learn more about our goals and our progress. We know we can do more, and I look forward to seeing how we continue to live up to customers' expectations and move the needle even further in 2024.



Dan Houston
Chairman, President, and CEO

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

2023 highlights

Environment

Create sustainable practices through long-term, responsible actions.

46%² Read more on page 33

Reduction in global scope 1 and scope 2 market-based greenhouse gas emissions between 2019 and 2023

91%² Read more on page 35

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

69%² Read more on page 36

Waste diverted from landfill through recycling, reusing, and composting at our U.S. facilities

Social

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

47% Read more on page 51

Women in leadership positions across all management categories

82% Read more on page 49

Global People Inclusion Index³ score, encompassing authenticity, learning new things, sharing perspectives, and feeling valued and respected

\$18M Read more on page 59

The amount Principal[®] Foundation donated to support economic mobility and financial empowerment⁴

Governance

Be a good steward of the resources entrusted to us.

1 of 136 Read more on page 41

A 2024 World's Most Ethical Companies⁵ honoree⁵

99.9% Read more on page 42

Active employees who completed training on our Global Code of Conduct

67% Read more on page 39

Eight out of 12 Board of Directors members are diverse, either by gender, race, or national origin

Products and services

Drive impact through our products and services.

~61%⁶ Read more on page 18

Assets under management (AUM) which represent sustainable investment products managed by Principal Global Investors

10.9% Read more on page 29

The portion of our total small and midsized business customers in the U.S. represented by diverse business owners

4⁷ Read more on page 20

Products launched or converted to Article 8 status under SFDR, a European regulation that discloses how products promote social and environmental characteristics

² 2023 greenhouse gas (GHG) emissions and energy consumption values will be verified in Q2 2024 and final figures will be disclosed in the 2024 CDP Climate Change Questionnaire. Waste and water data represent select U.S. offices only. Figures are rounded to the nearest whole number.

³ The Global People Inclusion Index is a proprietary survey tool measuring employee inclusion at Principal.

⁴ Information within this report is related to Principal Financial Group[®] unless otherwise noted. The 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.

⁵ 2024 World's Most Ethical Companies[®] honoree designation is awarded by the Ethisphere Institute. Principal received the 2024 designation based on results as of August 2023.

⁶ AUM representative of Principal Global Investors investment teams as of December 31, 2023. AUM that are sustainable investment products are internally classified by Principal Asset ManagementSM and not by any third party or regulatory body. Principal Asset ManagementSM is the trade name of Principal Global Investors, LLC. See Important Information page for AUM description.

⁷ Products representative of Principal Global Investors and Principal International investment teams as of December 31, 2023.

Our purpose

We know people live their most fulfilling lives when they feel secure. And for more than 140 years, everything we do has been built around this understanding.

Our purpose is to help more people and businesses gain access to financial security and to create a more equitable financial system. We strive to meet people where they are on their financial journey, understanding their progress, possibilities, and hurdles—then offering choices for a clear path forward.

What is financial security?

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

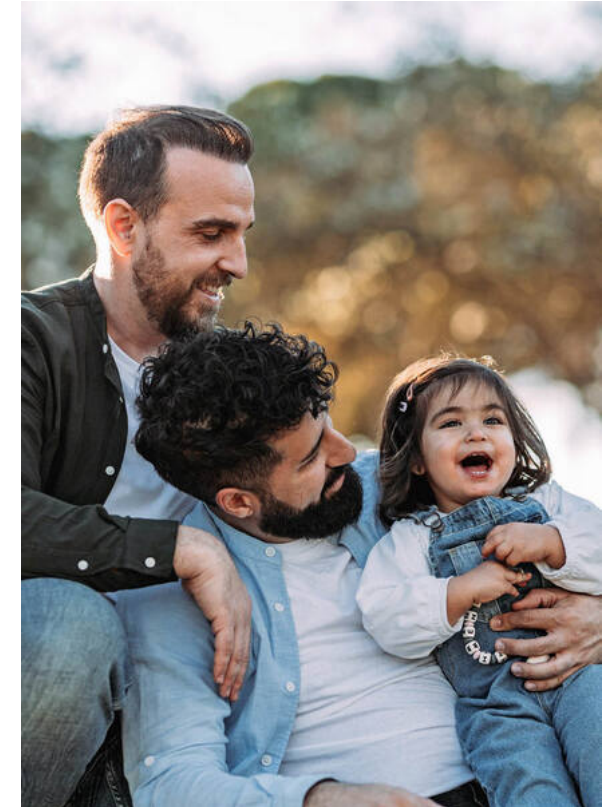
To feel financially secure, people must first feel included in the financial conversation. Financial inclusion is an enabler for seven of the United Nations Sustainable Development Goals (SDGs⁸) and a key part of our sustainability strategy.

Financial inclusion depends on equitable products that are convenient and accessible to more people, including those in underserved populations. As a member of the United Nations Global Compact, we participate in the CFO Coalition, working with other industry leaders to act in tangible ways and align corporate investments with the SDGs.

To expand access to financial security:

- We create innovative products and services to meet the diverse needs of customers across 80+ markets.⁹
- We use our expertise in retirement, asset management, and insurance to provide education and insights to our 62 million customers.⁹
- We incorporate sustainable investing principles in our investment processes across portfolios as a signatory of the Principles for Responsible Investment (PRI).¹⁰
- We develop research to identify barriers to financial security and work toward solutions.
- We engage governments to advocate for public policy solutions that improve access to financial services.

These actions are contingent on markets with supportive conditions.



⁸ <http://www.un.org/sustainabledevelopment/sustainable-development-goals>.

⁹ As of December 31, 2023.

¹⁰ Principal Asset Management has been a signatory of PRI since 2010.

Our global business

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

What we do

Founded in 1879 as a small life insurance company in Des Moines, Iowa, we've become a formidable leader in global financial services, including retirement, asset management, and workplace benefits and protection solutions through our diverse family of financial services companies. As a member of the FORTUNE 500®, we're known for our innovative ideas and tailored solutions that help customers make financial progress, no matter their income, business, or portfolio size.

Principal became a public company over 20 years ago and our common stock trades on Nasdaq Stock Market under the ticker symbol of PFG.



62M

Customers

80+

Nations and territories

Ratings for Principal Life Insurance Company® and Principal National Life Insurance Company:¹¹

“A+” Superior

A.M. Best Company:¹¹
Second highest
of 13 rating levels

“AA-” Very strong

Fitch Ratings:¹¹
Fourth highest
of 19 rating levels

“A1” Good

Moody's Investors Service:¹¹
Fifth highest
of 21 rating levels

“A+” Strong

S&P Global:¹¹
Fifth highest
of 20 rating levels

¹¹ Third-party ratings relate to the noted companies only, and do not reflect any ratings actions or notices relating to the U.S. life insurance sector generally. Ratings are not a recommendation to buy, sell, or hold a security. Ratings are subject to revision or withdrawal at any time by the assigning agency, and each rating should be evaluated independently of any other rating. Keep in mind that portfolio holdings are subject to risk. Information is current as of December 2023.

Our products and services

Our solutions help individuals, growing businesses, and institutions build, protect, and advance their financial well-being. We deliver in a way that's simple, relevant, informative, and fulfilling for our customers.

Principal comprises the following reporting segments,¹² providing market-leading expertise and comprehensive solutions to our customers and clients:

- Retirement and Income Solutions
- Principal Asset Management
- Benefits and Protection

Individuals



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

- retirement savings—defined contribution, including 401(k) and 403(b), defined benefit, non-qualified deferred compensation, and IRAs,
- estate planning and personal trusts,
- individual variable annuities and mutual funds, and
- long-term savings and pensions (voluntary and mandatory) in select emerging markets.

We believe in making saving for retirement easy to access and understand, so everyone has the opportunity to retire on their terms.

Businesses



We help employers protect their employees, their business, and themselves, with:

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

We specialize in the small and mid-sized business market, with a focus on providing accessibility and inclusive products for diverse business owners.

Institutions



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

- global asset management—including equities, real estate, fixed income, alternatives, and multi-asset.

Our focus remains on our clients and our responsibility in meeting their goals, including how we can offer opportunities to leverage sustainable investment philosophies to help maximize returns and align investments with their values.

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

¹² Principal also has a Corporate segment, which consists of the assets and activities that have not been allocated to any other segment.

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The world around us

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

New ways of working

The working landscape has undergone a transformation in recent years, propelled by advances in technology and a widespread adoption of flexible work arrangements. Traditional office models have given way to a more adaptable approach that prioritizes flexibility and embraces remote options. Advancements in technology that support virtual collaboration and communication allow teams to connect across geographic boundaries and tailor their work environments to suit their lives.

This new landscape demonstrates the transformative power of technology and the importance of flexibility as a cornerstone for success in the contemporary workplace.

Principal continues to implement technology solutions to support a dynamic and reformed work environment and enable a range of flexible work options to suit the needs of our diverse workforce.

Changing sentiments of financial inclusion

Around the world, governments, institutions, and employers are recognizing the importance of financial inclusion as a driver of economic growth and stability. However, sentiments and confidence related to financial security and inclusion have been tested due to volatile financial market conditions and other geopolitical factors. Our research shows that in some of the largest and most developed economies, financial inclusion is stagnating or even deteriorating due to insufficient investment in modernizing their financial services infrastructure.¹³ In contrast, financial inclusion appears to be growing the fastest in developing markets that are investing in and building technology that expands access to digital banking products and therefore fosters greater economic participation among previously underserved populations. These trends play a significant role in ensuring that economies are able to support their populations, even when their resilience is tested.

That is why Principal funds research on global financial inclusion, using learnings to gain a clearer understanding of the barriers to, and enablers of, financial security.



[Read more about how we are working to increase financial inclusion](#)

Climate-related risks and opportunities

The threat of climate-related risks to communities, economies, and habitats has intensified, resulting in calls for urgent action and global collaboration to implement strategies to mitigate the negative effects and prepare for a more resilient future. The increase in extreme weather and disruptions to ecosystems have increased the susceptibility for already vulnerable regions and populations. Climate-related risks have also significantly impacted certain industry sectors such as agriculture, insurance, and infrastructure.

Conversely, the unprecedented change in our environment has provided new opportunities and galvanized innovation to meet the new demands of a more resourceful and sustainable future.

Principal incorporates climate-related risks into our overall risk management processes, allowing us to be better prepared to respond to actual or potential climate-related financial risks.

We are also working to minimize our overall impact on the planet and identify opportunities to support the transition to a low-carbon economy.

Evolving regulatory sustainability landscape

New and increased regulations around the world have given increased attention to environmental, social, and governance (ESG) programs and defined new regulatory reporting requirements to which subjected companies must comply.

Climate-related disclosures adopted by the U.S. Securities and Exchange Commission (SEC), the European Union's Corporate Sustainability Reporting Directive (CSRD), and local and state governments require companies to integrate legal, compliance, and finance roles with internal sustainability departments to coordinate timely responses and reporting. A larger emphasis has also been placed on transparency by means of accurate, reliable, and assured data.

As requirements change around the globe, customer and client expectations also evolve, pushing companies to respond to their diverse demands and remain agile in a rapidly changing reporting landscape.

Principal continues to work cross-functionally to prepare systems, processes, and controls that allow for increased transparency and reporting mechanisms to meet these new standards and regulations.

¹³ Based on the findings of the [2023 Global Financial Inclusion Index](#).

Purpose

Make financial security accessible to more people, businesses, and communities

Sustainability vision

Grow a resilient, inclusive, and secure society, helping people enjoy a shared prosperity today and creating opportunities for future generations

Pillars

Advancing inclusive products and services

We are committed to offering and expanding access to inclusive products and services that help individuals and businesses achieve their personal and financial goals, enabling a more sustainable and financially secure future.

Focus areas

- Sustainable investing
- Consumer and product impact
- Financial inclusion

Embedding sustainable practices

We are committed to acting responsibly and operating with integrity, helping ensure we're doing right by our customers while considering our impact on all stakeholders and the planet.

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

Harnessing the power of our people

We are committed to creating an inclusive, diverse, and respectful workplace where all employees feel empowered to succeed and grow to their full potential, improving performance and driving innovation.

- Global inclusion
- Employee engagement

Our strategy is underpinned by rigorous goals

Our sustainability strategy and commitments

We remain dedicated to our sustainability commitments to help drive better outcomes for people, society, and the planet.



Gender equality

Achieve gender equality and empower all women and girls



Decent work and economic growth

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



Reduce inequalities

Reduce inequality within and among countries



Climate action

Take urgent action to combat climate change and its impacts



Partnerships for the goals

Revitalize the global partnership for sustainable development

Our strategy is made up of three activation pillars, which comprise our material sustainability focus areas which were determined through a materiality assessment. Our focus areas include specific topics and goals that help us deliver our sustainability commitments. These activation pillars help us integrate sustainability across the business and into our operations and decision-making.



[Read more about our materiality assessment](#)

In 2023, through the ongoing efforts of our Sustainability Task Force and participation from business leaders across the company, we continued to make progress against our sustainability commitments, including reaching our five-year goal to double the number of diverse small and mid-sized businesses we support by 2025. We also set new goals to advance our strategy.

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

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

Our key focus areas:

1. Sustainable investing

We provide clients with sustainable investment options that offer competitive, risk-adjusted returns and utilize a holistic view of factors influencing risk and return to help create added value for clients, the environment, and society over time.

2. Consumer and product impact

We enable greater access to relevant insurance, investment, and savings products and services for individuals and businesses around the globe to help build a more inclusive economy.

3. Financial inclusion

We advance financial inclusion by ensuring individuals and businesses have access to the necessary financial products, resources, and education to meet their diverse needs.

4. Environmental impact

We promote environmental stewardship across our company by managing our use of resources and working to preserve the planet for future generations.

5. Sustainable sourcing

We aim to improve our screening of new suppliers and our evaluation of existing suppliers against sustainability criteria and incorporate our findings into our supplier selection process to build a traceable and resilient supply chain.

6. Governance, ethics, and risk

We operate our business with integrity through strong governance, effective risk management practices, and transparent reporting to maintain trust with our stakeholders.

7. Global inclusion

We strive to create and maintain a work environment where all employees feel valued, respected, and included, enabling them to do their best work.

8. Employee engagement

We cultivate a rewarding workplace experience centered on learning, development, and employee well-being to attract and nurture exceptional talent.

2023 scorecard

Activation pillars	Multi-year goal	2023 goal	2023 performance	Status	2024 goal
Advance inclusive products and services to meet more individuals and businesses where they are in their financial journey.	Double the number of diverse small and mid-sized businesses (SMBs) we support through product access, capital access programs, ¹⁴ community development, and financial education by 2025. Read more on page 29	Support at least 2,923 diverse SMBs through product access, capital access programs, community development, and financial education.	Supported approximately 4,740 diverse SMBs through product access, capital access programs, community development, and financial education.	Exceeded	Support at least 7,700 diverse SMBs. Read more about our updated goal on page 29
	Embed sustainable practices in how we go to market and serve customers and clients around the world.	Aim to reduce our global scope 1 and scope 2 market-based GHG emissions by 65% by 2034 and achieve net zero GHG emissions by 2050. Read more on page 33	Aim to reduce our global scope 1 and scope 2 market-based GHG emissions by 4.3%.	Decreased our global scope 1 and scope 2 market-based GHG emissions by 14.6%.	On track
	Aim to spend \$100M with diverse suppliers in the U.S. by 2025 to promote growth and financial inclusion across groups that have historical barriers to access the marketplace. Read more on page 38	Source \$53.2 million of U.S. eligible spend with diverse suppliers.	Sourced \$42.1 million of U.S. spend with diverse suppliers.	Not met	Spend \$42M of eligible U.S. spend with diverse suppliers.

¹⁴ Capital access programs refer to investments in and grant-making to third-party organizations that provide access to capital. Grants are made from Principal® Foundation.

Activation pillars	Multi-year goal	2023 goal	2023 performance	Status	2024 goal
Harness the power of our people by creating and supporting a work environment of integrity, respect, community, and trust.	Annually achieve a score of 82% or above in our proprietary Global People Inclusion Index that measures the sentiments of our global employees related to culture and empowerment. ➔ Read more on page 49	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	Achieve a score of 82% or above on our Global People Inclusion Index.
	Annually score 100% on our proprietary U.S. Diversity Index, consisting of measures that include the hiring, promotion, and turnover rates for diverse individuals. ➔ Read more on page 50	Achieve a score of 100% on our U.S. Diversity Index.	Reached a score of 104.9% on our U.S. Diversity Index.	Exceeded	Achieve a score of 100% on our U.S. Diversity Index.
	Annually score 79% on our proprietary Employee Engagement Index, measuring satisfaction across our global workforce. ➔ Read more on page 54	Achieve a score of 79% on our Employee Engagement Index.	Reached a score of 79% on our Employee Engagement Index.	Met	Achieve a score of 79% on our Employee Engagement Index.

Advancing inclusive products and services

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Approach

We are committed to offering and expanding access to inclusive products and services that help individuals and businesses achieve their personal and financial goals, enabling a more sustainable and financially secure future.

To advance inclusive products and services, we:

- provide sustainable investment options and use a holistic view of factors influencing risk and return to help create added value over time,
- enable access to insurance, investment, and savings products for people of all backgrounds, and
- advance financial inclusion for individuals and businesses around the world.

Goals

We aim to double the number of diverse small and midsize businesses (SMBs) we support through product access, capital access programs,¹⁵ community development, and financial education by 2025.



¹⁵ Capital access programs refer to investments in and grant-making to third-party organizations that provide access to capital. Grants are made from Principal® Foundation.

Integrating sustainable investing practices

Our global investment philosophy

We aim to provide clients with sustainable investment options that offer competitive, risk-adjusted returns and utilize a holistic view of factors influencing risk and return to help create added value for clients, the environment, and society and over time.

Our approach

Our sustainable investing beliefs are grounded in fostering relationships with investors and communities by offering products and solutions that align with their values.

Our philosophy includes considerations of environmental, social, and governance (ESG) integration, sustainable product creation, engagement and stewardship, and responsible proxy voting.

Sustainable investing oversight and collaboration

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

¹⁶ AUM as of December 31, 2023. Due to rounding, figures shown may not add to the totals.

¹⁷ Principal Global Investors includes assets held by our general account and specific Principal International asset management businesses. Principal Asset ManagementSM is the trade name of Principal Global Investors, LLC. See Important Information page for AUM description.

Principal Financial Group, Inc. total assets under management (AUM) in billions as of December 31, 2023¹⁶

\$694.5B

Principal Global Investors¹⁷ managed AUM in billions as of December 31, 2023¹⁶

\$499.5B

For purposes of our sustainability report, as of December 31, 2023, the assets under management for Principal Financial Group were \$694.5 billion, of which \$499.5 billion is managed by Principal Global Investors and \$180.4 billion is reported by Principal International. The Company uses Principal Asset Management AUM for marketing purposes, defined as assets under management for Principal Global Investors and Principal International excluding assets for entities where the Company is a minority owner and assets that are not allowed to be included due to regulatory requirements.



Our actions and performance in 2023

Throughout 2023 we continued advancing our sustainable investing efforts:

- Adopted a [platform exclusions policy](#) for our offshore Dublin fund platform.
- Provided training opportunities to approximately 1000 individuals on sustainable investing topics.
- Increased the firm's sustainable investing AUM¹⁸ from 55% to approximately 61%.
- Established sustainable investing goals for our general account, covering two-thirds of the general account AUM.
- Launched four new sustainable investment products.

What's next

In 2024, we're preparing as global regulations increase the requirements for transparency and disclosure industry-wide such as the EU's Corporate Sustainability Reporting Directive (CSRD), climate regulations in California, and climate-related disclosures in Singapore. Even if not yet subject to comply, many companies have already begun providing more transparency into their ESG practices in preparation, and we expect data coverage from our own underlying companies to continue to improve as a result.

“

Sustainable investing is a powerful way to help drive positive change balanced by investor value creation. We continue to organize our talent and products to tap into this important area for both our clients and communities in the process.”

Kamal Bhatia

Chief Executive Officer of Principal Asset Management

¹⁸ AUM representative of Principal Global Investors investment teams as of December 31, 2023. AUM that are sustainable investment products are internally classified by Principal Asset ManagementSM and not by any third party or regulatory body. Principal Asset ManagementSM is the trade name of Principal Global Investors, LLC. See Important Information page for AUM description.



Our global approach to ESG integration

Our approach

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

Our Sustainable Investing Oversight Committee has worked with each investment team to categorize alignment with our internal sustainable investing continuum. The sustainable investing continuum outlines our various approaches to sustainable investing, which are classified as ESG Integration Foundational, ESG Integration Enhanced Features, Thematic, or Impact. We also have the ability to screen investments for sustainability-related characteristics by client request. ESG integration is our most widely used approach to implementing our sustainable investing strategy.



Read more about our approach:
[Principal Asset Management Sustainable Investing Policy PAA Sustainable Investing Policy \(PDF\)](#)
[Principal Equities Sustainability Overview \(PDF\)](#)
[Principal Listed Infrastructure Sustainable Investing Policies \(PDF\)](#)

Our actions and performance in 2023

While our Principles of Responsible Investing (PRI) signatory status since 2010 reflects the fact that Principal Asset Management has considered ESG factors for many years, the thematic and impact portion of the sustainable investing continuum is relatively new as this space continues to grow.

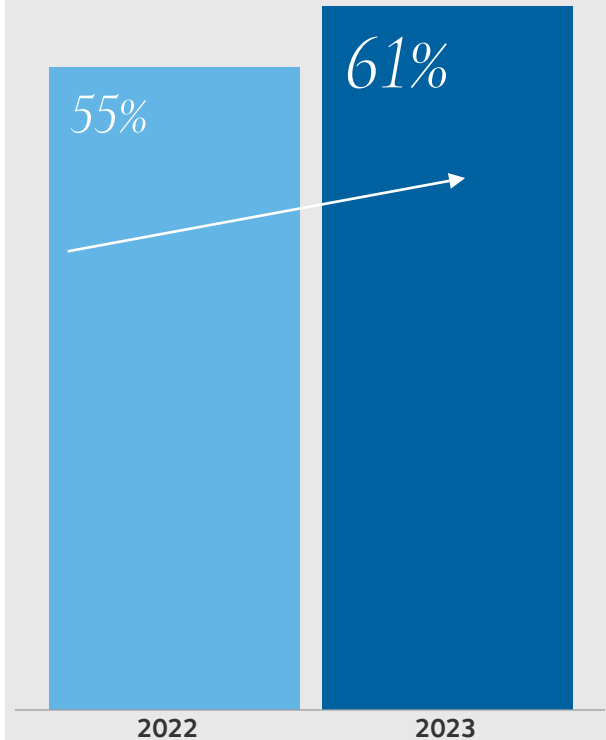
As of December 31, 2023

- \$240.2 billion ESG Integration —Foundational AUM
- \$64.3 billion ESG Integration —Enhanced Features AUM
- \$151.1 million Thematic AUM
- \$2.7 million Impact AUM

In total, approximately \$304.6 billion of AUM are internally classified as sustainable investment products, representing approximately 61% of assets managed by Principal Global Investors.¹⁹

Additionally, in 2023, we screened \$10.3 billion in client mandated products.

Growth of AUM classified as sustainable investment products¹⁹



¹⁹ AUM representative of Principal Global Investors investment teams as of December 31, 2023. AUM that are sustainable investment products are internally classified by Principal Asset ManagementSM and not by any third party or regulatory body. Principal Asset ManagementSM is the trade name of Principal Global Investors, LLC. See Important Information page for AUM description.



Investment team highlight: Principal Real Estate

While we consider many ESG factors in our integration analysis, climate risk is one of the material factors used in the evaluation of real estate assets. Principal Real Estate conducts climate risks scenario analyses for its discretionary open-end funds on a regular basis.

Thirteen Principal Real Estate investment strategies have completed physical and transitional climate risk analysis.²⁰ The investment teams use this information in their annual investment strategy to identify high-risk assets for capital improvements or operational changes and to better understand their overall environmental risk and impact.

Principal Real Estate: Climate targets

We seek to invest in and lend on real estate that delivers positive financial, environmental, and social outcomes for all stakeholders while promoting health and well-being for tenants and residents, minimizing environmental impacts, and enhancing the communities where we invest.

In support of global efforts to limit warming to 1.5°C, we have set an emissions target for select private equity investment vehicles.

We aim to reduce our GHG emissions by 40% by 2035 and achieve net zero by 2050 for select discretionary private equity investment vehicles from a 2019 baseline.

To date, we have achieved a 5.5% reduction in GHG emissions.²¹

Principal Real Estate defines net zero as the annual carbon emissions generated from a building's use of fossil fuel, GHG-emitting energy being reduced to zero based on the adoption of energy efficiency, on- and off-site renewable energy sources, and carbon removal offsets, if needed.

Our strategy for achieving net zero starts by reducing building energy use through energy efficiency projects, low or no cost operational improvements, investment in capital expenditures, tenant engagement, and building electrification.

Once we have reduced energy use, we will focus on renewable energy generated on site or off site and potential renewable energy credits. For any GHG emissions remaining after reduce and renew projects, we will look at carbon removal offset options with a focus on authentic long-term carbon removal.



Read more:
[Pillars of Responsible Property Investing Sustainability Policy](#)
[Principal Real Estate 2023 Sustainability Report \(PDF\)](#)



Principal Real Estate property, Optima Kierland, in Scottsdale, Arizona.

²⁰ As of August 2023.

²¹ As of December 2023. Performance reflects available data from properties in select Principal Real Estate open-end discretionary private equity funds. Baselines are individually set for each property depending on data availability and property availability/property development date. The first 12 months of available data on or after calendar year 2019 is utilized as the baseline for each asset.



Our global sustainable investment products

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

Our approach

As a global asset manager, we have focused on converting and launching new funds that comply with greater expectations of sustainability standards from regulators and clients alike.

Our actions and performance in 2023

In 2023, we launched two new products and converted two existing products to Article 8 status under the EU's Sustainable Finance Disclosure Regulation (SFDR).

As of December 31, 2023, Article 8/9 assets under management totaled \$7.18 billion.²² In 2024, we're planning to launch or convert additional funds as Article 8 or 9 under the SFDR classification framework.

Additionally, we launched four new products, three we consider to have enhanced ESG integration features and one thematic strategy.

We've launched products in 2023 that help us meet our client's preferences.

- In partnership with China Construction Bank (CCB), we've launched the **CCB Principal China New Energy Innovation Fund**. This fund offers offshore investors access to A-share listed companies related to the new energy industries, including renewable power, electrical equipment, energy storage, and electric vehicles. The fund will utilize locally based thematic equity investing insights in mainland China, which focuses on both top-down factors, such as industry policy and supply-and-demand trends, and bottom-up fundamentals. A proprietary ESG approach with a locally developed stock scorecard is integrated throughout the investment process to ensure stocks meet sustainability standards.
- The **Principal Sustainable Asia Equity Income Fund** in Hong Kong invests more than 70% of the fund's net asset value in top performing ESG rated companies within Asia Pacific (ex-Japan). In addition to investing in best in class ESG performers, the fund also has an exclusionary policy (tobacco, casinos and gaming, and controversial weapons and will also exclude companies deemed to have governance concerns).

- The **Thai ESG Fund** aims to promote long-term savings and to increase local investments into Thai businesses with ESG characteristics. In November 2023, the Thai Ministry of Finance approved a tax saving scheme that provides a 30% tax incentive for individuals utilizing ESG labeled products. This type of innovative product encourages sustainable investing and will promote sustainable development in Thailand, which is needed for the country to achieve Sustainable Development Goals in 2030.

As of 2023, we offer four thematic products and one impact strategy.

What's next

We continue to work with our clients to determine the right types of sustainable investment strategies that meet their needs. We are presently seeing interest in sustainable food, biodiversity, climate transition, responsible equity, and real estate decarbonization.

Principal Asset Management was named a Best Place to Work in Money Management for the 12th consecutive year

Pensions and Investments
(December 2023)

²² AUM representative of Principal Global Investors investment teams as of December 31, 2023. Principal Asset ManagementSM is the trade name of Principal Global Investors, LLC.

Active ownership and engagement

Stewardship and engagement activities are essential to our role as active investors. We believe by encouraging corporations to improve long-term stewardship of human, natural, and financial resources, we can play an active role in helping deliver better outcomes for our stakeholders.

Our approach

For us, active ownership and engagement means striving for shared value and employing stakeholder power to encourage responsible corporate behavior and drive better investment returns. This includes direct corporate engagement, such as communicating with senior management and/or boards, voting on shareholder proposals, and maintaining sustainable proxy voting guidelines.

Stewardship and engagement

Stewardship activities are a part of each investment team's specialized philosophy and process. Each team has freedom to define the scope of its engagement with companies and participate in industry and sector collaborations.

Our formalized [Principal Asset Management Stewardship and Engagement Policy Statement \(PDF\)](#) further unifies the work across our various investment teams. The policy provides an additional framework to guide company engagement, is aligned with the expectations of PRI, and is an important structure for executing our stewardship responsibilities.

We aim to achieve the following through our stewardship and engagement strategy:

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

Proxy voting

As part of our fiduciary duty to act on behalf of our clients, we are responsible for voting on proxies relating to the portfolio securities of the corporations where we have taken equity positions.

The analysis of corporate governance issues, proxy voting, and regular and recurring engagement with the assets in which we invest are important components of portfolio management for active investments.

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

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

We continue to use our Principal Base Guidelines and Principal Sustainable Guidelines where appropriate and work with our Administrator, ISS, to gather the information necessary to execute the policy, collaborate with peers, and administer the voting process.

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

The Proxy Voting Committee receives and reviews a quarterly report summarizing all proxy votes for securities for which Principal Asset Management exercises voting.



[Read more about our approach to exercising voting rights in our Proxy Voting Policy \(PDF\)](#)

Our actions and performance in 2023

During 2023, of 4,839 votable meetings, Principal Asset Management voted in 4,806, including 10 proxy contests. The votes cast on ballots during the reporting period were aligned with management recommendation in 90.9% of cases and 99.2% aligned with our custom Guidelines.

Across categories, votes cast on management proposals show the closest alignment to the ISS Benchmark Policy guidelines, which include climate change and greenhouse gas emissions, board diversity, sustainability reporting, and ESG compensation-related proposals.

With an increased demand for insights into stewardship and engagement practices, in 2023 we transitioned from a specific U.K. Stewardship Report to a [Global Stewardship Report \(PDF\)](#). This approach allows us to describe in more detail our stewardship efforts across our multiple investment teams, instead of limiting the information to one geography or signatory, ultimately providing a more streamlined way to provide the relevant information requested by potential and existing clients.

We also released a vote disclosure site. This interactive portal allows clients, investee companies, and other stakeholders timely access to important ballot results.

What's next

In 2024, we will strive to improve our regular interactions with investee companies through an enhanced engagement framework and the proposed creation of an Engagement Committee. We are also rolling out additional proxy voting disclosures.



Our approach to sustainable asset ownership

As an asset owner through the general account of Principal Life Insurance Company, sustainability considerations form an important cornerstone of our investments.

Our approach

We have incorporated sustainability factors into our investment process without a selection or rejection bias stemming purely from sustainability factors. Considerations of sustainability factors also feed into the analytical frameworks used by our investment teams.

Our fixed income analysts score investments on ESG metrics while our real estate analysts include climate change and emission considerations in their analysis when evaluating deals. Not only do we analyze these scores before underwriting new investments, we also target continuous improvement in our portfolio's sustainability metrics, measured by both internal and external scores, as applicable. With better data availability and quality, we are convinced that these can improve over time.

Our portfolio management teams engage with the companies we invest in to encourage responsible ESG practices aligned with our investment thesis for the company. We also encourage companies to disclose relevant and material ESG metrics through public reporting and describe how these considerations inform the company's overall business activities. This includes consideration and management of ESG risks. These types of engagement, we believe, help encourage greater transparency around ESG practices and improve the overall sustainability metrics of our portfolio.

Our actions and performance in 2023

During 2023, we established specific sustainability guidelines applicable to our holdings in corporate bonds, commercial mortgage loans, and private real estate equity.

These guidelines lay out targets on a variety of metrics, including internal scoring and scores from external sources where applicable, which reaffirms our commitment to sustainable investing as an important component of optimizing returns relative to risks. These guidelines cover approximately 66% of our portfolio, which indicates substantial progress in formalizing our approach to sustainable investing.

We are happy to report that we met the goals laid out in our fixed income sustainability guidelines in its first full year of operation.

Additionally, 66% of assets under management of the general account had ESG integration at the end of 2023.

We invested about \$215 million in assets likely to meet the criteria for inclusion in the sustainable bond issuance portfolio of collateral, based on our Sustainable Financing Framework. Our team to date has identified around \$1.14 billion of investments that are likely to meet the criteria.



[Read more about our Sustainability Bond and Sustainable Financing Framework](#)

66%
of assets under management of the general account utilized ESG integration at the end of 2023.

Portfolio emissions

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

Our approach

We believe understanding the emissions exposure within our portfolios, investing in companies that outperform their peers on emissions reduction, and engaging to understand the drivers of climate goals, such as net zero commitments, help add a layer of risk reduction and potential alpha generation to our funds.

Our actions and performance in 2023

In 2023, we measured and tracked the emissions of underlying holdings and analyzed the impact at a portfolio level for the assets on our Dublin platform. There are still significant gaps in emissions reporting industry wide.

However, Article 8/9 UCITS products that consider principal adverse impacts are required to report GHG emissions annually, acting as an exemplary case study for emissions disclosure and how this could impact portfolio composition over time.

The latest regulation for SFDR went into place on January 1, 2023. The 2023 GHG emissions of our Article 8/9 UCITS equity products totaled 36 million MTCO₂e and over \$782 million assets under management—which covers 98.9% of equity funds that are Article 8/9 on Dublin SFDR platform. In 2023, we added an additional equity fund to this calculation which represented 2% of reported emissions. The scope of coverage should increase as companies are required to publicly disclose emissions data via the Corporate Sustainability Reporting Directive (CSRD). This will enable our investment teams to better engage with underlying companies on their emissions performance and make the appropriate investment decisions based on this material input.

Of the 15 categories included in scope 3 emissions, portfolio emissions are just one of these categories. We annually report all 15 categories in our CDP Climate Change Questionnaire.



[Learn more about our GHG reduction targets and progress in Protecting the environment](#)



Prioritizing consumer and product impact

Enabling product equity and access

We understand the different obstacles individuals and businesses face when planning, protecting, and saving for the future. We are uniquely positioned to remove these barriers to make financial and insurance products, services, and solutions more accessible through relevant and inclusive experiences and choices.

Our approach

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

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

Disabilities or impairment support

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

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

Our websites support:

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

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

“

Having employee benefits allows me to plan for the future. Knowing that the benefits are there and the financial security is there helps me feel at ease when it comes to not only executing my job, but also working toward a future for myself.”

Commercial Sales Training Manager
Shaw Industries (Principal client)

Language and cultural resources

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

Our suite of resources includes:

- Spanish-speaking bilingual and bicultural customer service phone professionals.
- Bilingual and bicultural retirement education specialists to facilitate onsite and/or virtual enrollment and education meetings.
- Culturally enhanced enrollment materials including a digital enrollment experience, Principal® Real Start in Spanish, investor profile quiz, promotional materials, and Spanish-language plan statements.
- The ability for participants to change their language settings to Spanish in the Principal® app.



- Interactive Spanish-speaking voice response system.
- A Spanish version of principal.com (principal.com/es) and financial wellness education through Principal® Hola Futuro (“hello future”) at principal.com/es/holafuturo.

Gender-neutral language

To help foster gender inclusivity, we are making changes to our existing systems and processes. With select U.S. businesses, we are:

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

Designing equitable and inclusive products

Another way we work to enable access to products and services is by providing affordable and customizable products to customers around the world.

- The Principal® EASE pooled employer plan (PEP) offered in the U.S. combines integrated retirement plan administration, customer service, and investment fiduciary capabilities enabling employers to offer an efficient, affordable, and professionally-managed retirement solution. Since inception in 2021, a majority of adopting employers are offering retirement benefits for the first time.
- Simply Retirement by Principal®, our digital 401(k) product, makes retirement plans more accessible to businesses with less than 100 employees. It’s a straightforward cost that small businesses can plan for each month.
- Principal has a Shariah-compliant money market fund²³ available on Malaysia’s leading eWallet, Touch ‘n Go. Customers with as little as RM10 (US\$2) can start their investing journey. More than 3.4 million Malaysians invest in the fund, and the number continues to grow steadily.
- Principal has a suite of target date funds²³ available in Malaysia. This retirement solution offers simple, hassle-free retirement planning to customers in that country.

Our actions and performance in 2023

We’ve launched new products in 2023 that further expand access.

- We launched our first registered linked index annuity (RILA) in May to meet the growing demand for annuity solutions to help customers manage market ups and downs through investment options that offer choice and personalization, which can include climate focused options.
- In April we launched the Principal® Intelligent QDIA (IQDIA), a more personalized default investment alternative that delivers a hybrid approach that evolves with participants throughout their career and life stages. It starts by defaulting younger participants into an option to help meet their early savings needs. Then, at a later age set by the plan, automatically transitions to a managed account service that can be tailored by participants to help meet their needs as they approach retirement. IQDIA can help remove the guesswork and can increase participants’ confidence in their financial future.

- In our Workplace Benefits vision insurance offering, we’ve extended our in-network provider options to include local retail locations in rural areas to improve access.
- We launched our Hospital Indemnity product in early 2023. The product helps consumers focus on medical recovery rather than the financial burden of hospitalization. Plan designs are flexible and allow employers to offer plan design(s) to fits their employees’ needs.
- We launched an updated version of our disability income product. The redesigned product simplifies the offering for consumers and provides more flexible future insurability options to help maintain coverage as earnings and cost of living increase over time.



²³ The referenced funds are not available in the U.S. or to U.S. investors and are mentioned for information purposes only.

Making financial education accessible to all

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

Our approach

We offer a suite of financial educational materials for individuals and businesses:

- Principal® Hola Futuro provides culturally relevant, Spanish-language financial wellness resources to help consumers set and meet financial goals and understand the importance of saving.
- A feature in our Simple Asset Allocation B2C app in Thailand equips less experienced customers with specific resources to suggest investment plans based on their investment needs.

- We provide seminars on investment and savings strategies, including a salary deferral campaign.
- The digital Principal® Business Needs Assessment Tool helps employers in the U.S. assess their current financial plan and adjust accordingly. Users can also gain suggestions to help reduce risks to their business, employees, and lifestyle with next steps to help secure their financial well-being.
- In Southeast Asia and Latin America, our Investment Specialist teams and distribution affiliates host monthly webinars, providing investment outlooks, market updates, fund recommendations, wealth management tips, financial health advice, and other key insights.

Our actions and performance in 2023

This year, we hosted webinars and improved resources to boost financial literacy, including:

- A free monthly webinar series in the U.S. available to anyone who wants to attend, tailoring content to different participant life stages. In 2023, topics included market volatility and inflation, preparing for retirement, improving credit, estate planning, debt, and budgeting.

- We also offer webinars for small and mid-sized businesses (SMBs) in the U.S. to help them navigate their business needs, including topics such as cybersecurity and business protection, preparing for inflation and a potential recession, and leveraging technology for business growth.
- In 2023, we also added enhanced budgeting tools and the ability to link outside accounts to enable individual retirement plan participants to have a more comprehensive view of their savings, manage their money, and make more meaningful decisions for their future.



[Watch or register for our educational webinars](#)

Accelerating the growth of SMBs

This year we launched Elevate by Principal, an ecosystem created to accelerate the growth of small and mid-sized businesses (SMBs). Principal endeavored to curate a powerful network, resource, and team of people that support the SMB market with their most common needs. The platform provides data-driven insights and discounts on products and services businesses use every day to help advance and grow these businesses.

Specifically, the platform helps SMBs unlock working capital through a group purchasing organization (GPO), which aggregates the purchasing power of thousands of businesses to extend the purchasing scale of much larger Fortune 250 companies. Not only does this provide greater access for these SMBs to purchase the resources they need, it allows them to use the savings provided from the GPO to deploy as capital toward maximizing growth. Elevate by Principal also provides one-on-one support and ideas on how to best use this capital, often working with one of our trusted strategic partners focused on sales, marketing, HR support, and more. This free platform unlocks time and resources empowering business owners to grow their business with confidence.

To date, we've helped more than 500 businesses through Elevate by Principal.

What's next

In 2024, we will continue to provide webinars that support the education of our customers and communities. We expect to provide webinars on topics such as banking basics, savings for college, market volatility, and women and wealth, to name a few. We will also create relevant and timely webinars for our SMB audience based on our insights.

Additionally, we will focus on evolving Elevate as a way to support SMBs.

Putting our customers first

Complaints give us valuable information to help improve our service and identify any problems that require our attention.

Our approach

Customer complaints and satisfaction

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

We have a formal internal process in place to monitor complaints from Benefits and Protection customers. We also reference the [NAIC Complaint Index \(PDF\)](#) for Principal Life Insurance Company. [The National Complaint Index Report](#) reflects data reported from the state insurance department to the NAIC. This report currently includes data from 2021, 2020, and 2019. We had 34 closed, confirmed complaints in 2022. We expect the NAIC to make 2023 data available in 2024.

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

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

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

Fair marketing and advertising

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

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

Principal and its affiliates, including Principal Asset Management, comply with applicable rules and regulations.

As of December 31, 2023, Principal and its affiliates, to the best of our knowledge, are not aware of any material regulatory compliance issues concerning the review and approval of marketing material.



Read our full [Fair Marketing and Advertising Procedures Statement](#)

Responsible product pricing

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

Advocating for financial inclusion

Inclusive financial access

We believe financial education and opportunity can lift up people of all backgrounds, all around the world. We're working to reach them with information and resources that resonate with additional support from Principal® Foundation.

Our approach

It's important to us to meet people where they are on their financial journey and develop pathways to economic mobility and financial empowerment. To do this, we need to better understand the barriers of reaching financial security across the globe—and why certain groups are more affected than others. This helps inform the role we can play to broaden access to financial security.

One of our core strategies is to better serve diverse businesses, which historically have had barriers to access financial products and services. In 2021, together with Principal Foundation,²⁴ we committed to double the number of diverse small and mid-sized businesses (SMBs) we support through product access, capital access programs,²⁵ community development, and financial education by 2025.

²⁴ Principal Community Relations supports the communities where affiliates of the Principal Financial Group®, Des Moines, IA 50392 operates. Insurance products and plan administrative services provided through Principal Life Insurance Company®, a member of the Principal Financial Group, Des Moines, IA 50392. Principal Financial Group Foundation, Inc. ('Principal® Foundation') is a duly recognized 501(c)(3) entity focused on providing philanthropic support to programs that build financial security in the communities where Principal Financial Group, Inc. ('Principal') operates. While Principal Foundation receives funding from Principal, Principal Foundation is a distinct, independent, charitable entity. Principal Foundation does not practice any form of investment advisory services and is not authorized to do so.

²⁵ Capital access programs refer to investments in and grant-making to third-party organizations that provide access to capital. Grants are made from Principal® Foundation.

We're working toward this goal by:

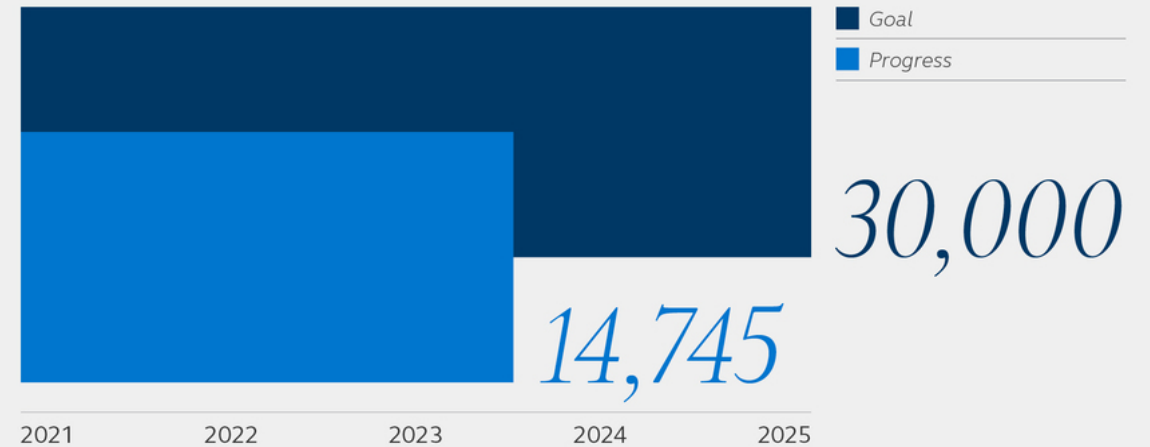
- Making insurance and savings products more accessible to diverse business owners.
- Advocating for more equitable access to capital for diverse businesses and entrepreneurs.
- Providing insights, education, and support for diverse SMBs to tackle common obstacles and take action on issues that are important to them.
- Providing financial education that empowers diverse SMBs to make informed financial decisions, manage risks, and position their businesses for long-term success and sustainability.

Our actions and performance in 2023

Starting from a 2020 baseline, we aimed to support 14,614 diverse entrepreneurs and SMBs by 2025, with an annual target of 2,923. In 2023, we ended the year supporting 4,740 diverse entrepreneurs and SMBs, exceeding our annual target and achieving our five-year goal in our third year with a total of 14,745 diverse entrepreneurs and businesses supported.

We are excited to have reached this milestone before our goal date, but remain steadfast in our commitment to advancing our support for this business community. Therefore, we have set a new goal to triple the number of diverse SMBs we support by 2025, an increase of 30,000 diverse SMBs from our 2020 baseline.

Progress toward our updated 2025 diverse SMB goal





Integrating sustainable investing practices

Prioritizing consumer and product impact

Advocating for financial inclusion

Product access

Out of our total number of SMB customers in the U.S. in 2023, 10.9%²⁶ were owned by diverse business owners, namely women and people of color.

7.5%

SMBs owned by
women in 2023

3.4%

SMBs owned by
people of color in 2023

Between 2022 and 2023 we saw approximately a 3% increase in SMBs owned by women and a 6% increase for SMBs owned by people of color.

Capital access programs

In collaboration with First Women's Bank (FWB), we're advocating to increase financial security for more people, particularly women, who continue to be underserved. FWB is the only women-founded, women-owned and women-led commercial bank in the U.S. with a strategic focus on the women's economy. As a Mission Partner, we've demonstrated our commitment to close the gender gaps that persist in pay, leadership, benefits, and access to capital. Our leadership teams have worked with First Women's Bank to pursue sustainable public-private approaches to paid family medical leave through involvement in industry trade organizations.

Community development

In 2023, we continued to strengthen our membership of the Small Business Digital Alliance (SBDA) by hosting an in-person event in Denver, with financial professionals and SMBs. The all-female panel explored the role digital tools and resources play in increasing financial wellness for employers and employees. Topics covered included what financial wellness means to small business owners, how digital tools can create efficiencies in business, and how digital tools and resources can help recruit and retain employees in a tight labor market. We also participated in two webinars hosted by the SBDA targeting the SMB market. One webinar focused on educating SMBs on how they can benchmark their benefits offerings, the real cost of employee benefits, and how they use benefits to improve company culture. The second webinar focused on how small businesses can prepare and safeguard their businesses against cybersecurity threats.



²⁶ Represents small and mid-sized businesses in the U.S. owned by women or people of color. Not captured here is approximately 0.1% of small and mid-sized businesses that are owned by people of color who are also women.

Financial education

Principal Foundation furthers its financial education by providing funding to nonprofit organizations that support SMBs. An illustration of this support is our funding of 1863 Ventures' 3Rs (Recovery, Rebuild, Resiliency) business development program. This national non-profit is dedicated to the business development of New Majority Entrepreneurs—individuals who have historically been marginalized. The 3Rs program offers financial education, business coaching, technical assistance, and access to capital.

In 2023, they supported almost 1000 diverse owned businesses and entrepreneurs.



[Read more about Principal Foundation on page 57](#)

Additionally, this year Principal provided support to SCORE, a nonprofit organization that aims to foster vibrant small business success through education and mentorship based on their business lifestage, particularly women and people of color. Principal helped with the amplification of their web resources for women entrepreneurs, which have been viewed by almost 6 million visitors.



[Find resources for women entrepreneurs here](#)

Extending reach to international markets

To reach a broader audience and extend greater financial access, our global offices provide local education and support to their communities.

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

In 2023, Our Dejando Huella program in Chile donated a total of 717 hours in various activities related to inclusion and skills development for students in vulnerable schools, such as job preparation talks, job interview preparation, vocational mentorship, and digital literacy.

In Brazil, we have set a goal to impact 188,000 people through financial education programs by 2026. In 2023, we reached 144,542 people.

FuturEd, our free virtual financial education platform in Brazil, offers a course with three modules (financial planning, private pension, and investments), 19 lessons and more than two and half hours of content. Since it was created, FuturEd has been viewed 13,343 times.

In 2023, we launched the second season of *Foca nos Sonhos* (Focus on Dreams), our videocast series that talks to young people in Brazil about financial education in an uncomplicated and humorous way. All episodes are led by a digital influencer and have the participation of professionals who address stories, learnings, tips, and reflections on financial organization and planning for the future. The weekly videos can be viewed on Brasilprev's YouTube or Instagram. The first season, released in 2022, reached more than 30 million people on YouTube, Instagram, and Facebook. In 2023, that number reached 53 million people.

Global Financial Inclusion Index

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

This year we continued our partnership with the Centre for Economics and Business Research (Cebr) to release the Global Financial Inclusion Index (Index). The Index ranks 42 markets on three clearly defined pillars of financial inclusion: government support, financial system support, and employer support. Now in its second year, the report provides a comprehensive and comparative evaluation of financial inclusion on a global scale.

This year's results demonstrated that financial inclusion has improved globally. However, the world's largest economies are generally stagnating or deteriorating in terms of financial inclusion, while financial inclusion is advancing most rapidly in markets developing technology-enabled financial systems.



[Read more: Global Financial Inclusion Index: 2023 report \(PDF\)](#)

What's next

We will continue our annual research with the Index which will help enable Principal and others in the industry to take more informed approaches to promoting financial inclusion and gain a clearer understanding of the barriers to financial security. The findings will help inform future products, services, investments, and philanthropic efforts to broaden financial access.

We will also expand our support of diverse entrepreneurs and SMBs as we work toward our new goal.

Embedding sustainable practices

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Ensuring integrity in our business practices	39

Approach

We are committed to acting responsibly and operating with integrity so we can do right by our customers, while considering our impact on all stakeholders and the planet.

To embed sustainable practices, we:

- promote environmental stewardship across our company,
- build a traceable and resilient supply chain, and
- operate with integrity and maintain trust with our stakeholders.

Goals

Aim to reduce our global scope 1 and scope 2 market-based GHG emissions by 65% by 2034 and achieve net zero GHG emissions by 2050.

Aim to spend \$100M with diverse suppliers in the U.S. by 2025 to promote growth and financial inclusion across groups that have historical barriers to access the marketplace.



Protecting the environment

Managing climate impact

To create a more secure world, we pledge to be responsible stewards and mitigate our impact on the planet. Our long-term climate goals and plans are aligned with science-based targets to address climate change and support the transition to a low-carbon economy.

Our approach

Managing our greenhouse gas (GHG) emissions is the primary focus of our broader environmental strategy. Across the company, we're working to understand GHG emission sources to enable accurate measurement of scope 1, 2, and 3 GHG emissions and formulate reduction strategies.

Our goal

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

On average, our annual glide path goal is to achieve a 4.3% reduction in global scope 1 and scope 2 market-based GHG emissions.

Based on current and available data, we are confident we can achieve our goal, and we monitor progress annually to ensure we're on track.

Our actions and performance in 2023

Scope 1 and scope 2 GHG emissions²⁷

We have been measuring and reporting our U.S. GHG emissions since 2010. In 2022, we began collecting and reporting global emissions for locations we either own or control. Out of our global scope 1 and scope 2 market-based emissions, our U.S. emissions represent nearly 76%.

We saw meaningful decreases in our emissions both in the U.S. and globally in 2023. Our U.S. GHG scope 1 and scope 2 market-based emissions decreased by 13.9% from 2022 to 2023, and our global scope 1 and scope 2 market-based GHG emissions decreased by 14.6% over that same period.

Our emissions decreased as a result of changes to leased office spaces and favorable weather, among other factors. We closed a data center in March and moved those services to a leased location, which reallocates our electricity usage to a downstream asset.

In our leased office spaces, we downsized one building and closed another. One other building became unoccupied between 2022 and 2023, resulting in reductions in our electricity usage. We also made improvements to our lighting fixtures in our parking ramps, which resulted in a decrease of energy use this year.

Warmer temperatures in Des Moines, Iowa (our headquarters) over the winter also contributed to less electricity and natural gas use.

On average, since 2019 we've reduced global GHG emissions 11.5% each year, exceeding the annual reduction glide path target of 4.3%.

We exceeded our 2023 target of a 17.3% reduction against our 2019 baseline with a 46% reduction in scope 1 and scope 2 market-based emissions.

46%

reduction in scope 1 and scope 2 market-based emissions since 2019

Principal maintained "Management" status for environmental stewardship from CDP, after receiving a B rating on our 2023 CDP Climate Change Questionnaire, based on 2022 data. CDP classifies "Management" status as taking coordinated action on climate issues.

Our B rating is higher than the global average (C), North American regional average (C), and consistent with the Financial Services sector average (B). We plan to complete the 2024 CDP Climate Change Questionnaire for 2023 data in Q3 2024.

²⁷ 2023 data will be verified in Q3 2024, and final figures disclosed in the 2024 CDP. MTCO₂e are rounded to the nearest whole number.

Scope 3 GHG emissions²⁸

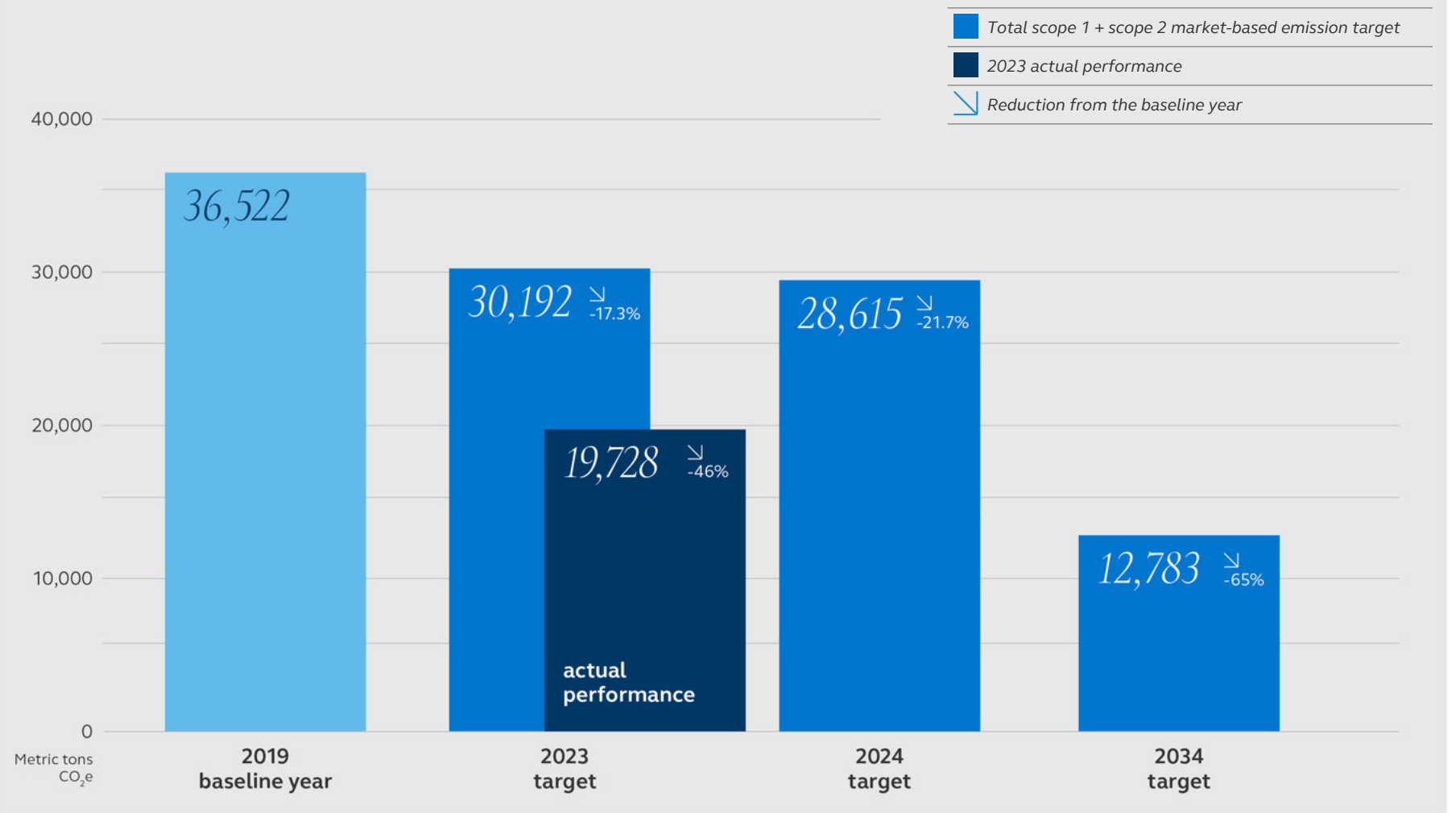
We measure and report our scope 3 GHG emissions from purchased goods and services, fuel and energy-related activities (not included in scope 1 or 2), waste generated in operations, business travel, employee commuting, upstream leased assets, and downstream leased assets.

Our climate action plans require the involvement of all our global operations. In 2023, we initiated our search for a new tool to advance our capabilities and gain information from our suppliers on their environmental performance. Across the organization, these improvements will help us better understand our scope 3 emissions. While there are still gaps in the data available to us, we are proud of the progress we have made.

What's next

In 2024, we remain focused on gaining more transparency into our scope 3 emissions as more data becomes available. This will enable improved strategic planning and reporting and allow us to continue to mature our climate transition strategy. Specifically, we are focusing on specific scope 3 categories including our purchased goods and services, business travel, employee commuting, leased assets, and investments.

Progress toward our 2034 GHG reduction goal



²⁸ Scope 3 GHG emissions data for FY2022 can be found in the 2023 CDP. 2023 values will be verified in Q2 2024, and final figures will be disclosed in the 2024 CDP.

Improving operational environmental performance

We remain committed to integrating responsible energy, water, and waste management practices into our business operations through efficient and sustainable solutions and improvements.

Our approach

Energy-efficient technologies and access to renewable energy sources help us meet our broader goals and further reduce our impact on the environment.

We're mindful of our water consumption and recycling efforts and have formulated action plans to improve our performance.

Furthermore, we've established a system and policy modeled after ISO14001 and designed to:

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

While our consumption of energy and water and production of waste are not significant, we continue to routinely measure these areas of our operations to better understand our impact on the environment.

Our actions and performance in 2023

Energy consumption and renewable energy²⁹

From 2022 to 2023, we reduced energy consumption by 13.5% globally and by 13.2% in the U.S. This reduction resulted from our data center being moved to leased space, changes in office spaces, and the decreased need for heating this year from previous years due to warmer weather in Des Moines.

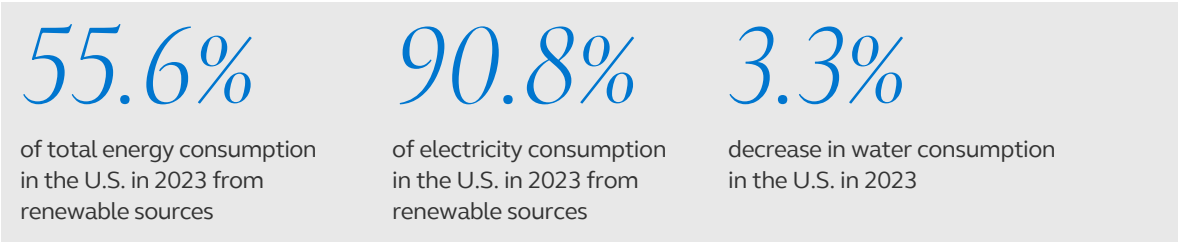
The changes in office space also contributed to a slight decrease in energy from renewable sources as compared to 2022 as these spaces primarily used renewable energy. On a global level, 47.8% of energy came from renewable sources in 2023.

In the U.S., approximately 55.6% of total energy consumption came from renewable sources—a total of 35,578.4 MWh, a small decrease from 2022 as a result of our energy mix using more fuel and less electricity than in the previous year.

Of total U.S. energy usage, 61.3% came from electricity, and approximately 90.8% of electricity consumption came from renewable sources—an increase from 2022. In 2023, we benefited from the ability of our Des Moines utility provider to provide a significant amount of energy from renewable sources. In 2023, the provider confirmed that it provided 100% renewable energy to its Iowa territory in 2022 through its wind fleet, and validated this through the Iowa Utilities Board GreenAdvantage program.

Water consumption³⁰

We incorporate responsible water management practices to meet or exceed Leadership in Energy and Environmental Design (LEED®) guidelines for water efficiency and implement water reduction measures wherever possible. Compared to 2022, we saw a 3.3% decrease in water consumption in 2023. Overall, in the last five years we've decreased our water consumption by 43.8%. This can be attributed to a reduction in occupancy in our buildings due to the pandemic and hybrid work arrangements, reducing our overall office usage and therefore decreasing water use.



²⁹ 2023 greenhouse gas emissions and energy consumption values will be verified in Q2 2024, and final figures will be disclosed in the 2024 CDP Climate Questionnaire.

³⁰ Waste and water data represent select U.S. offices only.

Waste and recycling³¹

In 2023, we diverted 69% of hazardous and nonhazardous waste produced in U.S. facilities where we measure recycling, donating, and composting efforts, with 100% of our hazardous waste being recycled. We continue to make incremental changes in our offices to reduce waste, such as an increase in signage to help employee awareness and education around appropriate waste practices, employee-led environmental initiatives, and a composting program for food service and restrooms.

Our goal is to meet or exceed LEED® guidelines for waste and recycling, which is to maintain a 50% or greater waste diversion rate annually.

69%

of hazardous and nonhazardous waste produced in our U.S. facilities where we measure was diverted in 2023.

Overall we disposed of more waste this year than last year. We believe the primary contributor is an increase in employees working from the office more frequently, resulting in more non-durable goods disposal.

With the relocation of our data center to a leased location in 2023, we increased the amount of electronic waste recycled during the transition process.



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.



[Read more in our Environmental policy](#)

What's next

In November 2023, return to office guidance went into effect for our largest offices. We will monitor how our return to office guidance contributes to our environmental impact, and work to find ways to continue to prioritize responsible environmental management practices.

In 2024, we will be installing smart irrigation systems as well as enhanced cooling tower water controls to monitor and limit water usage.

We will continue to explore innovative technologies and renewable energy options to help reduce our GHG emissions across the globe. We'll also continue to meet LEED guidelines for waste diversion, expand our composting program, and aim to reduce single-use plastics.

Finally, we are continuing to broaden our initiatives to educate our employees and provide more awareness to our stakeholders on environmental efforts and data.

³¹ Waste and water data represent select U.S. offices only.

Enhancing our supply chain processes

Supply chain management

We are mindful of our impact on the world and the role our supply chain plays in this. By integrating sustainability considerations into our procurement processes, we're gaining more transparency to help mitigate business risks and create positive change throughout our value chain.

Our approach

We expect all suppliers, vendors, and businesses we work with to comply with our [Supplier Code of Conduct \(PDF\)](#), which outlines our expectations and standards for all Principal suppliers regarding labor and human rights, inclusion and diversity, and environmental sustainability, as well as our [Global Code of Conduct](#), which outlines the standards for ethical behavior across our company.

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

Our actions and performance in 2023

In 2023, we formalized our [Sustainable Procurement Statement \(PDF\)](#), which reiterates our commitment to responsible and sustainable procurement practices and partnering with suppliers, vendors, and business partners that share our values of managing environmental impact, respecting labor and human rights, and complying with all applicable labor and environmental laws.

We also implemented a new procurement application that allows us to streamline our sourcing practices, including our risk management processes. The enhanced coordination allows us to better understand risk measurements, including our suppliers' sustainability practices, and for our suppliers to better understand our current practices and expectations as well.

What's next

We aim to improve our screening of new suppliers against sustainability criteria for consideration in our supplier selection process. We also aim to improve our evaluation and review of existing suppliers against the same criteria.

To reach this goal, we will focus on onboarding an additional supplier management tool that utilizes advanced sustainability features and begin to evaluate suppliers using environmental, social, and governance related risks.

Supplier diversity

Working with diverse suppliers, vendors, and business partners helps improve our competitive edge in the global marketplace and contributes to our strategic objectives.

Our approach

In all bidding opportunities we strive to consider businesses owned, controlled, and operated by diverse individuals, including women, people of color, veterans, members of the LGBTQ+ community, and individuals with different abilities. Our supplier diversity program provides criteria and eligibility requirements for diverse suppliers in the U.S. interested in doing business with us.

To create greater economic impact and growth opportunities for diverse suppliers, we aim to spend \$100M with diverse suppliers in the U.S. by 2025. We measure progress toward this goal by setting annual targets. In 2023, our goal was to spend \$53.2 million of eligible U.S. spend with diverse suppliers. Ultimately, we spent \$42.1 million with diverse suppliers.

We were unable to fully meet our 2023 target spend goal due to unforeseen budget constraints and broader economic headwinds that changed our projected spend in areas of the business.

We will continue to refine how we utilize projections in areas of diverse spend to forecast appropriate eligible spend base to establish reasonable supplier diversity goals and look for opportunities to diversify our supplier portfolio.

Our actions and performance in 2023

In 2023, we focused on engaging with our partners in all aspects of supplier diversity, including participating in membership organizations to promote and credential diverse suppliers, providing internal and external education and promotion of supplier diversity as an element of our business strategy, and working directly with our diverse suppliers to enhance their future success.

We remain 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.

We also piloted a supplier development program, pairing a cohort of seven of our diverse suppliers with a national business coach and business growth curriculum. The participants reported a deeper understanding of marketing and strategy, as well as how to grow and sustain their businesses as a result of the program.

Finally, we launched internal educational campaigns by hosting diverse suppliers on campus and presented at several conferences about the contribution of supplier diversity to a successful business strategy.

What's next

In 2024, our goal is to source at least 5% of eligible spend in the U.S. from diverse suppliers, amounting to \$42 million through tier one and tier two spending.

We hope to reach this goal through the following actions:

- Create ownership and accountability by working with category managers and individual business units in the U.S. to identify potential sourcing opportunities for new and diverse suppliers.
- Partner with our Employee Resource Groups to embolden and build champions for supplier diversity throughout our organization within the departments and teams they lead and participate in.
- Monitor the status of supplier diversity metrics and celebrate and report achievements and progress internally and externally.
- Build and maintain a robust and qualified diverse supplier list that is shared with any buyer throughout the organization to reference when seeking a supplier.
- Provide a channel for Principal employees to directly identify diverse suppliers for the supplier diversity team for further assessment and evaluation.

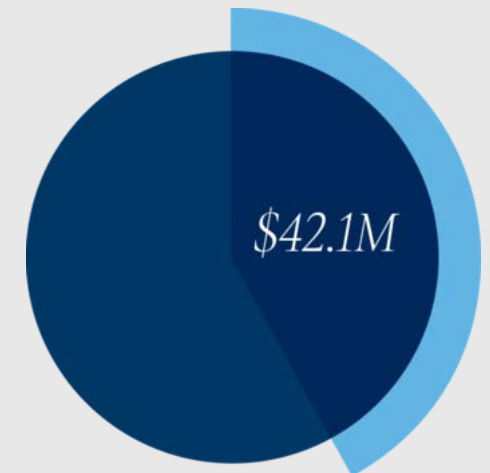
- Strengthen collaboration with our tier one non-diverse suppliers to promote their use of diverse suppliers. This collaboration improves the overall health of the diverse supplier ecosystem and makes our values clear to our non-diverse suppliers.



[Read more about supplier diversity program and requirements](#)

Progress in spend with diverse suppliers by 2025 (\$)

\$100M



Ensuring integrity in our business practices

Our approach to corporate governance

Good governance has been an important part of our heritage and our success. Each generation of management is committed to ensuring Principal is governed well to build transparency, accountability, and effective risk management, fostering trust with our customers and shareholders.

Our approach

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

Board leadership structure

The Principal Financial Group Board of Directors (“Board”) exercises flexibility to structure its leadership as needed. The Board believes that its current leadership, in which the roles of Chairman and CEO are combined, an independent Lead Director is appointed and Board committees are led by independent directors, strikes the appropriate balance between effective Company leadership and strong oversight and safeguards by independent directors. The Board regularly reviews the effectiveness of this shared leadership approach.

The Board has four standing Committees:

Audit, Finance, Human Resources, and Nominating and Governance.



- Read more: [Bylaws \(PDF\)](#)
- [2024 Proxy Statement](#)
- [Audit Committee charter \(PDF\)](#)
- [Finance Committee charter \(PDF\)](#)
- [Human Resources Committee charter \(PDF\)](#)
- [Nominating and Governance Committee charter \(PDF\)](#)

Role of the Board in overseeing sustainability-related risks

The Nominating and Governance Committee of the Board monitors risks and mitigation related to our enterprise sustainability strategy, goals, and performance, as well as our political contribution activities. It also receives updates from management regarding the sustainability-related activities and key initiatives and provides guidance to the Board, other Board committees, and management (as appropriate) concerning material sustainability matters. For example, twice per year the Nominating and Governance Committee is informed about specific environmental metrics, such as our greenhouse gas emissions reduction targets and performance.

The Audit and Human Resources Committees provide additional oversight of specific environmental, social, and governance matters.

Board diversity

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

The Nominating and Governance Committee reviews the Board’s diversity when recruiting new Directors. Characteristics for diversity include business and industry skills and experience, varying abilities, ethnicity, gender, generation, geography, and sexual orientation. Our Board diversity policy is reviewed annually, which helps govern the Board’s approach to selecting new members and determining its optimum composition to reflect the diverse nature of our business environment.

Board Committee	Oversight of sustainability topics
Audit	<ul style="list-style-type: none"> • Framework and policies related to enterprise risk management, including as it relates to climate, cybersecurity, and privacy • Compliance with applicable regulations and laws
Human Resources	<ul style="list-style-type: none"> • Gender and racial pay equity • Global inclusion strategy, including workforce diversity, equity, and inclusion
Nominating and Governance	<ul style="list-style-type: none"> • Enterprise sustainability commitments, goals, risks, and ESG reporting • Board diversity • Topics in the Global Code of Conduct • Conflicts of interest



Maintaining an ethical culture

We have built a strong reputation for being an ethical and trustworthy company. That's why we enforce anti-bribery and anti-corruption practices and policies, and show honesty and integrity as we interact with our customers, business partners, and each other.

Our approach

Our Ethics and Compliance Program is grounded in our core value of doing what's right. To maintain high ethical standards, we reinforce the understanding of and adherence to our [Global Code of Conduct](#), related policies, and legal and regulatory requirements across the organization by delivering education, training, and conducting risk assessments.

We gauge our ethical culture by conducting an annual survey among our employees. The Ethical Culture Survey, administered through a well-respected external party, identifies both positive and potentially challenging insights into our corporate culture. This enables us to benchmark our results year-over-year and to compare our results with industry peers and cross-industry participants.

Our actions and performance in 2023

The 2023 results of the survey reflected our employees' belief in our commitment to maintain a strong ethical culture, adhering to our Global Code of Conduct and core values, and assuring we do what's right. The results make clear that our employees understand our policies and procedures and trust that we maintain a "safe to say" environment. When benchmarked against our peer group, Principal consistently scores at or above industry standards on many of the pillars that comprise the survey.

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

This marks the 13th time Principal has been recognized for its ethical leadership and business practices since the Ethisphere list launched in 2006.

Recognized as a 2024 World's Most Ethical Companies® honoree

Ethisphere (December 2023)³²

Alignment with our Global Code of Conduct

All employees must complete annual training and acknowledgment related to our Global Code of Conduct (Code). The computer-based training (CBT) course covers topics that are contained in the Code. The topics covered rotate on a three-year basis. They include anti-bribery and corruption, human rights and human trafficking, economic sanctions, insider trading, antitrust and competition laws, social media and news media, employee pressure, protecting and using company assets, conflicts of interest, intellectual property, complaint handling, gifts and entertainment, political activity, financial crimes, and whistleblowing.

Topics covered in the 2023 CBT included reporting Code violations, employee pressure, protecting and using company assets, conflicts of interest, intellectual property, and bribery and corruption. Once they complete the training, employees sign an attestation of understanding and acceptance. Every Director and employee of Principal is accountable for following the Code.

³² 2024 designation is based on results as of August 2023.

In 2023, 99.9% of active employees completed training on our Global Code of Conduct. We used quizzes to test participants' knowledge of the material and concepts covered in the course.

99.9%

of active employees completed training on our Global Code of Conduct

Ranked as one of America's Most Responsible Companies 2024

Newsweek (December 2023)

Included in the 2024 JUST 100 and recognized as one of 2024 America's Most JUST Companies

JUST Capital (December 2023)

The Ethics and Compliance team, Corporate Special Investigations Unit, management, and other compliance personnel, regularly review the effectiveness of the Code by:

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

Each year we provide Ethical Culture Survey results to leaders and identify areas of strength as well as opportunities for improvement. We also supply suggestions and resources for having regular ethics-related discussions with their teams.



Reporting unethical behavior

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

Employees also have the option to report suspicious activity to the Enterprise Chief Ethics and Compliance Officer, the Chief Compliance Officer in their area, the Chief Privacy Officer, the employee relations consultant or Human Resources, or a member of the Corporate Special Investigations Unit. In addition to the Code of Conduct, the methods for reporting suspicious activity are outlined in various Enterprise policies (e.g., the Whistleblower Policy, the Compliance Policy, the Anti-Bribery and Corruption Policy) and are available to employees.

We regularly remind employees about the Ethics Hotline to report suspected fraudulent or unethical activities. In 2023, 100% of submissions to our Ethics Hotline were fully reviewed and investigated.

Every year, representatives from each compliance area work together to produce a consolidated enterprise compliance risk assessment, which identifies key compliance risks across the organization. The 2023 results, which are currently being finalized, will help inform the compliance team's strategic focus.

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

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

The Enterprise Chief Ethics and Compliance Officer is accountable for the AB&C Policy and program, and reports bribery and corruption risks to the Audit Committee of the Board of Directors. In 2023, 100% of Board members and executive and senior management teams were provided with materials on AB&C, trends in the industry, and were kept informed of future priorities of our program.

No charges were filed by any regulator against Principal for corruption in 2023.



Read more:
[Anti-Bribery and Corruption Policy](#)
[Anti-Money Laundering Policy](#)
[Global Code of Conduct \(PDF\)](#)
[Reporting Fraud of Unethical Conduct](#)
[OFAC/Sanctions Policy](#)
[Political Activity Policy](#)

Annual ethics and compliance related trainings

Audience	Training content
Board of Directors	<ul style="list-style-type: none"> Global Code of Conduct
All active employees	<ul style="list-style-type: none"> Global Code of Conduct
New leaders	<ul style="list-style-type: none"> Discrimination, harassment, and retaliation (including sexual harassment)
New employees	<ul style="list-style-type: none"> Making privacy a priority Identifying and preventing fraud Global Code of Conduct Conflicts of interest
U.S. employees	<ul style="list-style-type: none"> Discrimination, harassment, and retaliation (including sexual harassment)
Principal international employees	<ul style="list-style-type: none"> Anti-bribery and corruption

Additional training is provided to targeted employee audiences based on their roles and responsibilities on an ad hoc basis, such as financial crimes training (elder financial exploitation, anti-money laundering, and economic sanctions) as well as anti-bribery and corruption for audiences that have a higher risk of bribery in their work.

What's next

In 2024, we remain focused on benchmarking and ongoing evaluation of our Ethics and Compliance Program, providing employee communications and training on key risk-related topics, and maintaining a pulse on our ethical culture through our annual ethical culture survey.

Enterprise risk and oversight

Enterprise Risk Management (ERM) is a key part of our business model at Principal. We have formalized our ERM approach to systematically identify, measure, monitor, communicate, and manage risks within defined limits and risk tolerances.

Our approach

Our ERM policy and related resources set guidelines, targets, and limits to mitigate undesirable risk, behavior, or concentrations. We leverage an integrated risk management framework to help inform strategic and tactical decision-making and help us adapt to changes in our businesses and the external environment.

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

The Enterprise Risk Management Committee, comprises members from the executive management group, exercises enterprise-wide oversight for our most significant risk profiles. The Committee met seven times during 2023 covering a wide range of enterprise risk topics with considerable focus on information security, financial risk, insider risk, and audit and risk consulting.

We maintain an enterprise-wide risk management function where business units and functional areas have primary responsibility for identifying, assessing, monitoring, reporting, and managing their own risks.

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

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

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



Our actions and performance in 2023

- Added subject matter experts (technology risk, fiduciary, etc.) to Enterprise Risk Management who can continue to drive capabilities and partnership to improve second line consultation in high-risk areas.
- Matured processes by taking inventory and assessing the various risk reports and key risk indicators (KRI) used by each business unit risk team to determine areas of overlap and inconsistencies—both internationally and domestically—to identify, assess, and mitigate risk among key programs such as incident management and operational loss and business continuity relationships.
- Enhanced our key risk indicators program to improve the data in our operational risk profile. We matured our KRI program by reviewing and refreshing our list of metrics. This includes adding new metrics, revising current metrics, and removing metrics that were determined to no longer provide value.
- Fully integrated a quarterly assessment of our capital at risk into our Board review. This assessment focuses on changes driven by the shifting macro environment and the impact on our various businesses.

Climate-related risk management

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

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

We have also established a cross-departmental committee to prepare and report on climate-related risks like those in the SEC Climate Disclosure. The committee includes representation from legal, accounting, risk, and others to ensure we are prepared to respond efficiently and effectively to upcoming regulations.

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

As an asset owner, the real estate investment teams assess our portfolio's exposure to climate-related risks and opportunities.

As part of each new development project and property acquisition, we review physical and transitional climate risks through a third-party climate risk data provider:

- Physical risks reviews a property's risk of exposure to seven physical hazards: flooding, heat stress, hurricanes and typhoons, sea level rise, water stress, wildfires, and earthquakes. Identified high-risk hazards are incorporated in the property's design, third-party inspections, capital improvements, and operational procedures.
- Transition risk analysis estimates the property's carbon reduction requirements to comply with the 1.5°, 2°, and 3°C warming scenarios in the next 15 years and any energy disclosure or reduction requirements the property is subject to.



Cybersecurity and data privacy

Protecting the confidentiality of the personal data entrusted to us by our customers, employees, and business partners is of utmost importance to us. That's why we take proactive approaches to keep our systems secure, continually assess for emerging risks, and ensure employees are sufficiently trained on handling sensitive information.

Our approach 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 overseen by the full Board of Directors. Directors and the Executive Management Group receive at least one cybersecurity report every quarter from the Chief Information Officer, the Chief Information Security Officer, Chief Risk Officer or other professionals. These reports ensure management maintains an enterprise-wide cyber risk program with the necessary policies, practices, and controls to effectively manage risks and ensure resiliency in the face of potential cyber threats.

We proactively assess risk on new services or systems integrated with Principal network or data. In our current systems and applications, we continuously test for and resolve weaknesses and vulnerabilities using network and infrastructure vulnerability testing, dynamic application security testing, static application security testing, and adversary emulation. The frequency of automated vulnerability scanning varies from daily to monthly depending on the type of testing and target.

Principal also undergoes a third-party assessment of our information security program maturity every two years. The last assessment occurred in 2022 and we showed improvement across all assessed NIST categories.

Our controls are frequently updated and refined based on learnings from regular red team engagements that are responsible for discerning security vulnerabilities through penetration testing and daily analysis by threat hunters. All operations are refined through a dedicated cyber threat intelligence function.

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

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

Principal is a member of the Cyber Readiness Institute (CRI), which brings together expertise from global companies to provide free resources that improve cyber readiness. We believe helping small and mid-sized businesses (SMBs) to be more cyber ready encourages a team approach to cyber defense for both our customers and our suppliers. We meet regularly with CRI to provide content for their program and take part in their SMB business meetings.

Data privacy

Privacy risk assessments

We are continuing to enhance our oversight over how personal data is managed across the global Principal footprint. We've enhanced our visibility into privacy risk management, rolling out targeted assessments in global regions to help mitigate privacy risk in business processes.

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

Privacy rights and concerns

The [Global Privacy Statement \(PDF\)](#) provides direction to individuals on how they can exercise their data subject rights or raise data privacy concerns.

We also protect the privacy rights of Principal employees by ensuring that all employees, including leaders, understand and abide by appropriate data privacy practices in regions where employee data is subject to certain privacy regulations and restrictions.

Other ways we protect both personal and non-personal information:

- New hires and employees must complete annual information security and privacy-related courses. Training is offered every quarter and additional role-based training is provided for certain roles.
- All employees must complete and sign a confidentiality acknowledgment.
- Our Global Privacy Statement details how personal data may be collected, used, transferred, accessed or otherwise shared at Principal and by all personnel.
- We run a phishing simulation program to train employees to recognize and report phishing attacks. Employees receive at least two phishing simulations each quarter.

- We have a comprehensive, enterprise third-party risk management program to help ensure proper management of confidential personal, and proprietary data.
- Our Enterprise Written Information Security Program (WISP) aligns with the National Institute of Standards and Technology (NIST) Cybersecurity Framework functions: identify, protect, detect, respond, and recover.
- We carry out annual cybersecurity incident response exercises involving multiple levels of management.
- Our Cybersecurity Working Group—comprising individuals with privacy, legal, compliance, risk, audit, and cybersecurity expertise—provides valuable input and feedback to formal information security governance groups.

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



Read more:
[Privacy Center](#)
[Security policies](#)

Our actions and performance in 2023

In 2023, we expanded our Consent and Preference Management capability along with enhancements to our one-stop shop for customers—the online Privacy Center. Our Privacy Center is now more user-friendly and makes it easier for individuals to understand both our privacy practices and how they can exercise their personal data rights in accordance with applicable law.

We consolidated and streamlined our jurisdictional privacy policies into a unified Global Privacy Statement which is applicable to the collection and use of personal data across the global enterprise.

We have appointed new data protection officers (DPOs) in multiple regions, including the Philippines and Latin America to adhere to regulatory requirements and as a best practice. Recurring roundtables have been established to ensure clear lines of communication as privacy regulations across the world evolve.

In 2023, an average of 97% of global employees completed information security trainings on time and 99% of global employees completed the global data privacy training.

What's next

In 2024, we aim to enhance our privacy capabilities in the areas of incident response, regulatory change management, and privacy risk assessment. Privacy laws across the globe are changing at a rapid pace and these adjustments will help us ensure that we're maturing the program along with regulatory landscape changes.

New privacy enhancing technology will be deployed in 2024, helping the business to assess and mitigate privacy risks through a revamped privacy impact assessment process.

In cybersecurity, our focus for 2024 is to transform cloud security maturity by implementing advanced security controls, adopting industry best practices, and continuously evolving policies and standards to protect cloud resources.



Harnessing the power of our people

Advancing global inclusion	49
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Approach

We work to create an inclusive, diverse, and respectful workplace where all employees feel empowered to succeed and grow to their full potential. This helps improve performance and drive innovation.

To harness the power of our people, we:

- create and maintain an inclusive work environment, and
- cultivate an enriching experience for all employees.

Goals

Achieve a score of 82% or above annually on our proprietary Global People Inclusion Index, which measures the sentiments of our global employees in relation to culture and empowerment.

Achieve a score of 100% annually on our proprietary U.S. Diversity Index, consisting of measures that include the hiring, promotion, and turnover rates for diverse employees.

Achieve a score of 79% on our proprietary Employee Engagement Index in 2024, measuring satisfaction across our global workforce.



Advancing global inclusion

Global inclusion in the workplace

We strive to create and maintain a work environment where all employees feel valued, respected, and included, enabling them to do their best work.

Our approach

We believe that a culture of inclusion is foundational to who we are, the change we have driven, and the future we are creating.

Our global inclusion strategy contributes to accelerating business outcomes and innovation by creating a more diverse, equitable, and inclusive workplace, embedding inclusion in our business practices, and giving back and strengthening the communities in which we operate.

This commitment to global inclusion starts at the top. Our Chairman, President, and CEO serves as sponsor of our Executive Inclusion Council, which comprises cross-functional business leaders and is the custodian of our global inclusion strategy.



[Read more about our Global Inclusion strategy](#)

Our global inclusion strategy in our workplace outlines our multi-year path toward these objectives and is informed by three key results:

- Our **Global People Inclusion Index (GPII)** measures a culture of belonging, respect, learning, and trying new things. Conducted three times per year, the GPII tells us how employees are experiencing Principal.

³³ Federal law and related OFCCP regulations require federal contractors and subcontractors to implement AAPs to ensure equal opportunities for qualified applicants and employees. AAP goals are used to measure progress against affirmative action requirements.

- In turn, the results enable leaders and teams to quickly respond to challenges and identify areas of opportunity, ultimately driving real-time, positive change.
- Through our **U.S. Affirmative Action Program (AAP)**³³ we provide equal opportunity to qualified applicants and employees, in alignment with our talent strategy and regulatory obligations. Our AAP includes annual affirmative action training for all involved in people selection processes, with ongoing monitoring spanning outreach, recruitment, job descriptions, applicants, hires, promotions, terminations, performance ratings, compensation, accommodations, and recordkeeping. The program is overseen by our dedicated senior AAP manager, and our Executive Management Group ensures its successful implementation.
- Our **U.S. Diversity Index** measures diversity using 17 metrics that measure progress and areas of opportunity across the business. It serves as a pivotal component within our enterprise balance scorecard, a comprehensive metric assessing our organization's overall well-being.

2023 Corporate Equality Index (CEI) recognition for support of lesbian, gay, bisexual, transgender, and queer equality in the workplace

Human Rights Campaign Foundation (November 2023)

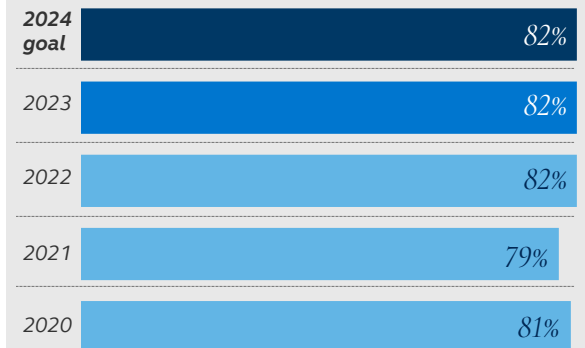
We set and monitor goals using key insights and industry benchmarks, and measure and act upon employee sentiment related to a culture of inclusion, respect, experimentation, and innovation.

Our actions and performance in 2023

We joined the CFA DEI Code, a set of six metric-based principles to foster action for diversity, equity, and inclusion in the investment industry.

Global People Inclusion Index (GPII)

In 2023, we exceeded our annual GPII goal of 80% with a score of 82%. We also saw a record-high 85% participation from employees across the globe and made progress on all questions. Our GPII goal increased to 82% for 2024 based on past performance and a desire for continuous improvement.



U.S. Affirmative Action Program (AAP)

In 2023, we transitioned to functional-based affirmative action plans to mirror our operating model, ensuring more accountability, efficiency, and effectiveness.

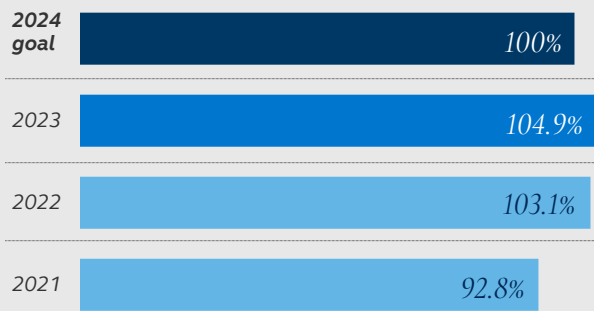
➔
Read more:
[2022 \(EEOC\) Report](#)

Recognized as one of The Best Employers for Diversity 2023
Forbes (April 2023)

U.S. Diversity Index

In 2023, we exceeded our U.S. Diversity Index goal with a score of 104.9%.

Employee representation makes up 85% of the weighted metric with the remaining weight focused on areas like employee education and supplier diversity. We monitor and track our progress annually against past performance as well as market availability benchmarks. Additionally, our corporate incentive pay calculation for all eligible employees includes our diversity index performance.



“
Rooted in respect, our commitment to creating an inclusive work environment fuels a collaborative and innovative future for all.”

Miriam Lewis
Chief Inclusion Officer

Inclusion in the workplace: Growth in diversity

We are committed to attracting and retaining a workforce with broad perspectives that is well-positioned to serve the diverse needs of our customers.

To measure progress against our strategy and ensure equal employment opportunity, we track representation within our U.S. employee population with an aspiration of aligning to market availability. To determine availability benchmarks, as a federal contractor we reference the Census EEO Tabulation created by the U.S. Census Bureau, OFCCP, and other agencies, which provides a single resource for statistical demographic data by location.



An Air National Guard member finds support and community as an employee at Principal.

We track and report representation within our U.S. employee population to ensure fair and equitable treatment for all. We're proud of the progress we've made and understand this is a journey.

In 2023, we made additional progress against availability benchmarks:

- Increased the number of women in leadership positions to 41.0%, compared to availability benchmarks of 43%.
- Increased the number of people of color in leadership positions to 10.1%, compared to availability benchmarks of 13%.
- Increased the number of people of color in non-leadership positions to 18.1%, compared to availability benchmarks of 19%.
- Increased the number of persons with disabilities to 5.0%, compared to availability benchmarks of 7.0%.
- Increased the number of veterans to 3.2%, compared to availability benchmarks of 5.5%.

Our goal³⁴ is to achieve and sustain availability benchmarks. Considering external and internal historical trends, we're on track to achieve availability benchmarks which are our goals by 2026.

³⁴ Goals are subject to change as/if availability benchmarks change. Goals are currently established for Principal Financial Group U.S. workforce only.

Within our leadership bands, people of color in senior management positions increased to 23%, up from 18% in 2022. Additionally, people of color in management positions increased to nearly 8%, up from 7% in 2022. In our total U.S. workforce, we've seen a 4.2% increase of people of color, from 15.6% in 2022 to 16.3% in 2023. Additionally, in 2023 persons with disabilities made up approximately 5% of our U.S. workforce, up from 4.5% in 2022, and veterans made up approximately 3.2%, up from 3.1% in 2022.

Global representation

We continue to track and report gender representation across our global workforce. In 2023, women made up 54% of our global workforce, 30% of our IT department, and 26% of our engineering workforce. In the U.S., approximately 61% of employees promoted in 2023 were women, up from 56% in 2022.

Globally, our workforce spans five generations. The average age of our global workforce is 42.

We continue to track and report demographic information for our U.S. and global workforce, where available and aim to add other dimensions of diversity as we enhance system capabilities. This allows us to continue making progress toward our diversity goals.

Scored 100 out of 100 on the Disability Equality Index (DEI) for our disability inclusion efforts

Disability:IN (July 2023)

Recognized as a 2024 Military Friendly Employer

Military Friendly (November 2023)

Recognized as one of 2024 Best Places to Work in IT for the 22nd consecutive year

Computerworld (November 2023)

11%

growth of persons with disabilities in our U.S. workforce from 2022 to 2023

23%

people of color in senior management positions in the U.S. in 2023

3%

growth of veterans from in our U.S. workforce from 2022 to 2023

54%

women across our global workforce in 2023

Global employee representation by gender and employment category³⁵

Job category	Female	Male
Executives	5 38%	8 62%
Senior management	4 29%	10 71%
Management	1,313 47%	1,500 53%
Professionals and administrators	9,321 55%	7,668 45%
Total workforce	10,643 54%	9,186 46%

Recognized as one of The Best Employers for Women 2023

Forbes (July 2023)

Named a 50 Out Front: Best Place to Work for Women and Diverse Managers

Diversity MBA (July 2023)

Inclusion in the workplace: Pay equity

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

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

To promote pay transparency, we continue to post the minimum and maximum salary ranges for all open positions in the U.S.—both internally and externally. We believe that disclosing the salary range for all U.S.-based open positions is not only crucial to giving individuals more agency—especially women and people of color—but it’s also a necessary step to reducing pay disparities, creating a fair application and recruitment process, and finding highly qualified candidates.

As of December 31, 2023, the ratio of the annual total compensation of the CEO to the annual total compensation of the median employee was 194:1.



[Read more about our employment policies and global pay philosophy](#)

³⁵ Includes 15 individuals who did not report their gender. Figures presented here include our global workforce.

Engaging our employees

Attracting and retaining talent

Our employees are our most valued asset. We take a comprehensive approach to attracting top talent and prioritize the health and wellness of our employees.

Our approach

To deliver on our purpose, we must equip our teams with the best talent in the market. We do this by proactively reaching out to top talent for critical roles, collaborating with our marketing team to activate our employment brand on social media channels, and ensuring that we focus on hiring in early career roles that provide opportunities for development and growth.

We strive to bring out the best in our people by investing in what matters to them, which allows us to proactively engage and retain an inclusive workforce at Principal. Our employee value proposition underscores the components most important to our employees, including a tailored and flexible approach to life and work, opportunities for growth and development, and a sense of connection to our purpose.



[Learn more about our careers at Principal](#)

Increasing representation in our talent pool

We believe every candidate should have an equal opportunity for their hopeful position and we promise a fair interview process to select the best-fit candidate. We deliver this promise by using DECIDE training to teach interviewers how to mitigate bias by using a consistent question structure for all candidates to deliver an unbiased interview.

Data helps us identify where we can increase representation for certain groups, how to increase representation throughout the hiring process, and how to target locations where we can find top talent. We also use targeted campaigns to increase diverse candidates in critical roles like women in information technology.



Our actions and performance in 2023

In 2023, 34% of our U.S. hires were people of color. Globally, 51% of hires were female, 49% were males, and 0.45% were gender non-identifying or non-reporting.

In 2023, approximately 68% of new hires were in international locations, and 32% were in the U.S. The total number of new hires globally was 3,749.



Engagement Index



2022	78%
2021	79%
2020	83%

Employee Engagement Index

Our Engagement Index measures employee satisfaction across our global workforce. In 2023, we maintained a strong level of employee satisfaction and met our 2023 goal with a score of 79% and an 85% response rate. Our score indicates that across the questions that make up our Engagement Index, 79% were positive responses. We assess the results in a variety of ways, including by gender, to ensure we are creating an inclusive work environment and a consistent employee experience that aligns with our employee value proposition and core values.

In 2023 both our female and male employee base had 79% engagement, which is consistent with results in prior years. Our goal remains to reach an Engagement Index of 79% in 2024.

In the U.S., the response rate for our employees of color was an all-time high. In 2023, 74% of our employees of color participated, compared to 57% in 2021. And for the first time, our engagement index score for employees of color was 78%, which is comparable to the engagement index score of white employees at 77%.

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

Additionally, we also use a scorecard to measure talent metrics across several categories—culture, talent attraction, employee retention, and leadership and development—to evaluate how we can provide a valuable and rewarding experience for our employees.

For example, we continued to advance our global mentoring program, including an expanded network, increased awareness of career opportunities, and increased retention to provide a meaningful leadership and development opportunity for our employees. We've found that current and past global mentoring program participants (both mentors and mentees) are approximately 50% less likely to terminate their employment with Principal compared to non-participants.³⁶

Overall, between 2022 and 2023, our global turnover improved from 21% to 17%, and our U.S. turnover improved from 13% to 10%.



For a full tenure breakdown see the [appendix](#)

What's next

In an effort to gain insights early and effectively, in June we introduced a fully automated, company-wide onboarding survey to our new global employees at their 14th, 60th, and 90th days at Principal. We'll use employee insights to better understand what has attracted key talent, gaps to their initial productivity, overall satisfaction and lead indicators for under 90-day turnover. We will have more data and insights in 2024 to consider actions on identified themes.

When we look to 2024, we will continue to focus on delivering a personalized employee experience, with a focus on continuing to enhance onboarding, helping employees establish a network, and providing tailored development opportunities.

³⁶ Based on available data since the beginning of the program in 2020.

Benefits

As a provider of retirement solutions and employee benefits, we support our employees the same way we support our customers—through holistic, competitive offerings designed to protect our employees' physical, mental, and financial well-being.

All active employees are eligible to utilize an inclusive suite of health and wellness benefits. Global employees in our international offices receive benefits either through Principal and/or through their local government-sponsored health care programs, or both depending on which combination of benefits offerings provides them the support they need.

Physical health

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

- **Medical and supplemental benefits:** Medical and prescription drug coverage, dental and vision insurance, flexible and health savings accounts, telehealth, and weight management programs.
- **Domestic partner benefits:** The benefits are the same for a domestic partner as they are for any spouse covered under our plans.
- **Metabolic health:** Our metabolic health program, aimed at reversal of Type 2 diabetes, diabetes management, and weight loss is available to all health plan members at no cost to them.

- **Fitness center:** We provide a state-of-the-art fitness center at our company headquarters, plus health club reimbursements for employees who do not reside in our Des Moines, Iowa headquarters.
- **Healthy pregnancy program:** Employees and their covered dependents who choose medical coverage can access specialized resources for expectant mothers.
- **Paid parental leave:** Parents can take four weeks of paid leave within 12 months of the birth or placement of a child for adoption for bonding—spouses and partners included. Paid maternity leave, combining short-term disability and the family medical leave act (FMLA) is at minimum 12 weeks for exempt employees.
- **Mothers' rooms:** Private spaces are available for back-to-work moms who are breastfeeding.
- **Reproductive health:** As a public company representing diverse viewpoints and individuals, we do not express an official view on abortion. We support our employees with access to safe health care options, including travel-related expense reimbursements for necessary care. In the U.S., we provide coverage of fertility services, including egg freezing. Most contraceptives are covered 100% through our health plan. We also provide insurance coverage for gender reassignment/affirmation services according to WPATH standards, with no limit.

Mental health

We offer the following benefits to support a mentally healthy workplace:

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

Financial health

Beyond our employees' compensation, we offer the following benefits to help foster their financial security:

- **Retirement plans:** We match 75% of the amount an employee elects to defer to the 401(k) plan, up to 8% of eligible pay. Employees outside our asset management business are eligible to participate in a cash balance defined benefit retirement plan.

- **Employee stock purchase plan (ESPP):** Where permitted by law, global employees can buy Principal stock at a 10% discount.
- **Long-term incentive plan:** For select employees, we offer a long-term incentive plan, which is a stock-based compensation plan.
- **Free access to financial professionals:** We offer one-on-one meetings, financial education seminars, financial needs analysis and planning, and discounts on Principal products.
- **Adoption reimbursement:** After an adoption is finalized, employees can request reimbursement for adoption expenses (up to \$10,000 for lifetime maximum).
- **Scholarships for dependents:** We sponsor renewable National Merit Scholarships for dependents of employees who are program finalists and award up to 20 Principal Scholarships for Excellence each year.
- **Educational assistance program:** We offer employees financial assistance with job-related educational pursuits.
- **Will preparation services:** Employees have access to free online standard will preparation and other legal documents and identity theft prevention resources provided by ARAG®.

Leadership and development

We encourage employees to expand their knowledge, build new skills, and continuously develop by providing a variety of opportunities that best suit their needs. This includes formal development opportunities, experiential and on-the-go education, and professional relationship building.

Our approach

We offer employees a variety of development opportunities including new hire onboarding and ongoing role-specific training that includes asynchronous and synchronous learning opportunities, simulation and role-play, videos, and e-learning courses.

New leaders in the U.S. experience 20 hours of onboarding related to being an effective and inclusive leader and we offer numerous ways for leaders to continue to refine their leadership skills over the course of their career.

Employees can additionally engage in learning within a broad range of topics, such as growing technical skills, enabling high-performing teams, and building inclusion and career development capabilities. Employees have access to sessions focused on life skills through our EAP provider.

Short-term growth assignments are available to learn and apply skills outside their formal role. Additional opportunities exist for role rotations, job shadowing, mentoring, and pursuing further education or skills training.

We also offer a collegiate internship program and a variety of rotational programs for recent graduates.



[Learn more on our careers site](#)

Leaders provide feedback to employees and engage them in reflection and development planning annually. We promote a culture that encourages employees to reflect on their performance, provide feedback to their peers, and share development recommendations to their managers.

Our new goals

We continue to find ways to expand access to and engagement in the core development programs we offer. This year, we've set new goals to strive to increase our performance in these areas.

By 2025, we aim to:

- Increase overall employee participation in core enterprise learning and development programs by 15%.
- Capture and centrally manage engagement data for 100% of our core enterprise learning and development programs in a common location, positioning us to better analyze key business outcomes based on our findings.
- Make 50% of core enterprise learning and development programming available in Spanish.
- Cross-train facilitators on 50% of core enterprise learning and development programming.

Our actions and performance in 2023

Historically, it was challenging for us to collect and aggregate data for training across our organization as different parts of the business utilized different systems. This past year, we implemented a new process to allow us to better track and report training hours.

In 2023, our employees participated in 58,061 hours of voluntary learning and development, which is equal to about 2.9 hours per employee. Leaders specifically engaged in 7,229 hours of voluntary learning and development in 2023.

In 2023, approximately 189 employees participated in our educational assistance program that offers employees financial assistance with their job-related educational pursuits. In 2023, this totaled over \$615,680 in investment by the organization.

We hired 244 interns in 2023 and continued our focus on early and mid-level career opportunities and recruiting diverse and underrepresented talent through partnerships like Jobs for America's Graduates (jAG), Girls Who Invest, Seizing Every Opportunity, and the International Association of Black Actuaries.

In 2023, 95.6% of global employees received a rating as part of an annual performance review process.



[For the breakdown of U.S. employees who received a performance review in 2023 by gender and race/ethnicity, see our appendix](#)

Supporting our communities

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Approach

For many, financial security feels like a destination, but Principal and Principal® Foundation believe it's a journey and we work every day to create opportunities for people to embark on that journey.

Through volunteerism, philanthropic grants, and community-focused sponsorships and activations, Principal and Principal Foundation strive to strengthen communities and pave pathways to financial security in the places where we work and live around the world.



Principal® Foundation philanthropic philosophy

The road to financial security is not a universal path. It is a unique, personal journey.

Our approach

Principal Foundation is committed to removing barriers, creating opportunities, and empowering more people to build financially secure futures. Principal Foundation is a duly recognized 501(c)(3) non-profit 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.

Our grantmaking supports organizations whose work focuses on building people’s wherewithal to pursue financial security and expands access to the resources they need to reach their goals.

Specifically, our funding champions programs that address essential needs and promote financial enablement of individuals and small businesses.

Essential needs

When individuals’ essential needs are met, they have a sense of security, allowing them to focus on education and skill development and participate in the workforce, all of which are pathways to financial security. Therefore, we fund programs that provide food, shelter, and disaster and crisis relief around the globe.

Financial enablement

Grantmaking by Principal Foundation around financial enablement seeks to nurture a healthy ecosystem by funding programs that create and foster the conditions necessary for economic development. Our grants in this area fall into three categories: small business support, financial health and well-being research, and social and cultural connections.

Small businesses represent 99% of all companies nationwide that have paid employees, and they play a vital role in boosting local economies.³⁷ As such, small businesses are a pathway to financial security for many. We fund organizations that help create a vibrant support network for small businesses, which provides the financial and technical assistance they need to thrive and keep their owners and employees on the financial security journey.

The more we understand the barriers individuals face on the road to financial security, the better we can identify ways to clear the path and accelerate progress. We continue to invest in research that explores financial health and identifies policies, practices, and products that the financial sector, employers, and policymakers could adopt to better serve groups facing financial insecurity around the world.

Research demonstrates that when communities are connected to the arts through social and cultural institutions, it creates fertile ground for economic and human development. Social and cultural institutions unify communities, boost local economies, spark innovation, and improve academic outcomes. That’s why we fund programs that expand access to social and cultural connections.



Principal volunteers pack meals to fight child hunger through Meals for the Heartland.

³⁷ According to the U.S. Small Business Administration, 2024 small business employment statistics



Principal® Foundation community investments

Our actions and performance in 2023

In 2023, Principal Foundation provided more than \$18 million to our communities around the globe. The missions of these recipient organizations fall under at least one of our focus areas.

\$18M

total community investments
in 2023

Stories of Impact³⁸

Nutrition security: WesleyLife Meals on Wheels

WesleyLife Meals on Wheels received funding to aid with the expansion of a new campus for their programs. This project tripled the organization's capacity to prepare and serve 3,000 nutritional meals per day to home-bound adults in central Iowa. The new facility includes the nation's only hydroponic garden associated with a Meals on Wheels location. This program is more than just providing a hot meal: The new facilities have on-site multigenerational programming designed to help combat isolation among older adults.

Housing security: Minnesota Assistance Council for Veterans

Housing security is an important part of the journey to feeling financially secure, and this is especially important for veterans. Minnesota Assistance Council for Veterans received a grant from Principal Foundation to address this very issue. Their vision is for every veteran in Minnesota to have access to services and support to avoid homelessness and achieve sustainable housing. In 2022, they provided \$3.4 million in direct financial assistance, provided comprehensive services to over 1700 individuals and families, and in total 427 veterans became housed.

Disaster relief: Maui Economic Disaster Relief: Maui Economic Development Board

A disaster can have detrimental impact on the journey to financial security. While hygiene products, food and water are quick to arrive in impacted areas, financial resources that fuel recovery often lag. Principal Foundation therefore concentrates our disaster relief on supporting long-term recovery efforts. For example, following the Maui wildfires, Principal Foundation provided funds to the Maui Economic Development Board (MEDB) to launch the Maui Business Recovery Fund, which distributed emergency funds to 95 small businesses to use as they saw fit to support their recovery efforts.

Small and midsize (SMB) business support: Washington Area Community Investment Fund Inc. (Wacif)

Fostering the SMB ecosystem is a fundamental part of the mission of Principal Foundation. When entrepreneurs and SMBs thrive they create a stronger community. Wacif's mission is to promote equity and economic opportunity in the underserved neighborhoods in the Washington, D.C. region. Wacif's work has resulted in 5,216 jobs created or retained, 665 hours of technical assistance given, and over \$24.8 million loans and grants distributed. Over \$13.8 million in total capital was given specifically to support women of color entrepreneurs.

Barrier removal: United Way Worldwide Ride United Transportation Access

One of the biggest barriers many people face on their way to financial security is accessing the transportation needed to complete education, receive health care, or to secure or maintain employment. United Way Worldwide received grant funding for their Ride United Transportation Access Program. During their 2022–2023 program year, they provided 154,827 rides, serving 35,183 unique clients across 2,345 cities.

Social and culture connections: Feel Your Best Self (FYBS)

When a person's mental health suffers, so does the ability to advance their financial security journey. We seek to address mental health in affirming, nonjudgmental ways through Principal Foundation grantmaking. One such example is collaborating with University of Connecticut's Feel Your Best Self program, which provides tools for mental wellness to school-age children, families, and committees. FYBS had over 39,000 toolkits downloaded, more than 116,645 YouTube views, won five kids entertainment awards, a Kidscreen Award, and four Telly awards. Employees from Principal worldwide also participated in puppet-making and kit-building events to distribute to local youth.

³⁸ Impact stories from 2022 grant recipients.

Our work in the community

Our approach

Encouraging Principal employees to bring their passions and purpose to work is the core of the Principal Gives Back program, which connects them to our philanthropic culture through volunteer opportunities and incentives and a match giving program. The program draws on the expertise and resources of the business to strengthen communities and create lasting impact in the cities where our employees live and work.

True to our culture, our participants supported 4,312 causes across 30 countries and volunteered over 64,000 hours. From giving to community-based organizations through match giving and Dollars for Doers programs, to packing food and hygiene kits for underprivileged families and unhoused individuals, to mentoring school children and young people, Principal employees provided their time, expertise, and resources to better their communities near and far.

Our actions and performance in 2023

In 2023, Principal employees supported our communities with:

64,626

volunteer hours logged by eligible users

\$5.5M

matching dollars given to eligible organizations by Principal® Foundation

World Central Kitchen

In 2023, for the first time in our history, Principal Foundation created a global series of employee engagement events that connected a Principal Foundation grantee and employees of Principal. In collaboration with World Central Kitchen (WCK), Principal Foundation created a series of activations that allowed Principal employees to learn about the organization, the crises WCK responds to, and understand why Principal Foundation supports them. The events also provided hands-on assistance by packing meals that were donated to local organizations. In 2023, Principal, together with Principal Foundation, activated in Manila, Philippines and Charlotte, North Carolina. In Manila, Principal employees packaged 2,000 meal kits that can each feed a family of four for two weeks. In Charlotte, Principal employees packaged 1,300 sandwich meals for local after school programs.



In Manila, Philippines, Principal employees put the finishing touches on packaged meals to be donated locally.

Pedal to Paris

Over 30 Principal employees from six offices came together to cycle more than 180 miles from London to Paris and Frankfurt to Paris as a fundraiser. Together they raised over \$64,000 for two charities: We are Beam, which provides comprehensive support services to children and young people with any form of physical, learning, or sensory impairment; and Kleine Helden Little Heroes, which provides home quality of life care for seriously ill or terminally ill children. The enthusiasm for this event garnered support and donations from employees around the world.



After biking 180 miles to raise funds for charity, Principal volunteers take a well-deserved break in Paris near the Arc de Triomphe.

About this report

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Principal global headquarters
in Des Moines, Iowa



Materiality methodology

In 2020, we went through a stringent evaluation process of our reporting landscape to review material sustainability factors alongside developments in industry regulations, trending and emerging industry research, and shareholder resolutions on ESG topics.

We checked these against industry peers, consulted area experts, conducted internal stakeholder surveys, and cross-referenced our reporting frameworks, which include the Global Reporting Initiative (GRI), Sustainable Accounting Standards Board (SASB), and Task Force on Climate-related Financial Disclosures (TCFD).

The results of this process informed our current materiality matrix and guided our sustainability strategy and annual ESG disclosure process.

Completing a materiality assessment process on a recurring basis is important to us—especially as industry regulations and sustainability trends continue to evolve and present new salient impacts on our business, and the stakeholders most affected by it.

At the end of 2023, we began our next materiality review, which is set to be completed in 2024. We expect this process will reinforce or illuminate the sustainability factors that are most material to our business and important to our stakeholders—and continue to guide our strategy into the future.

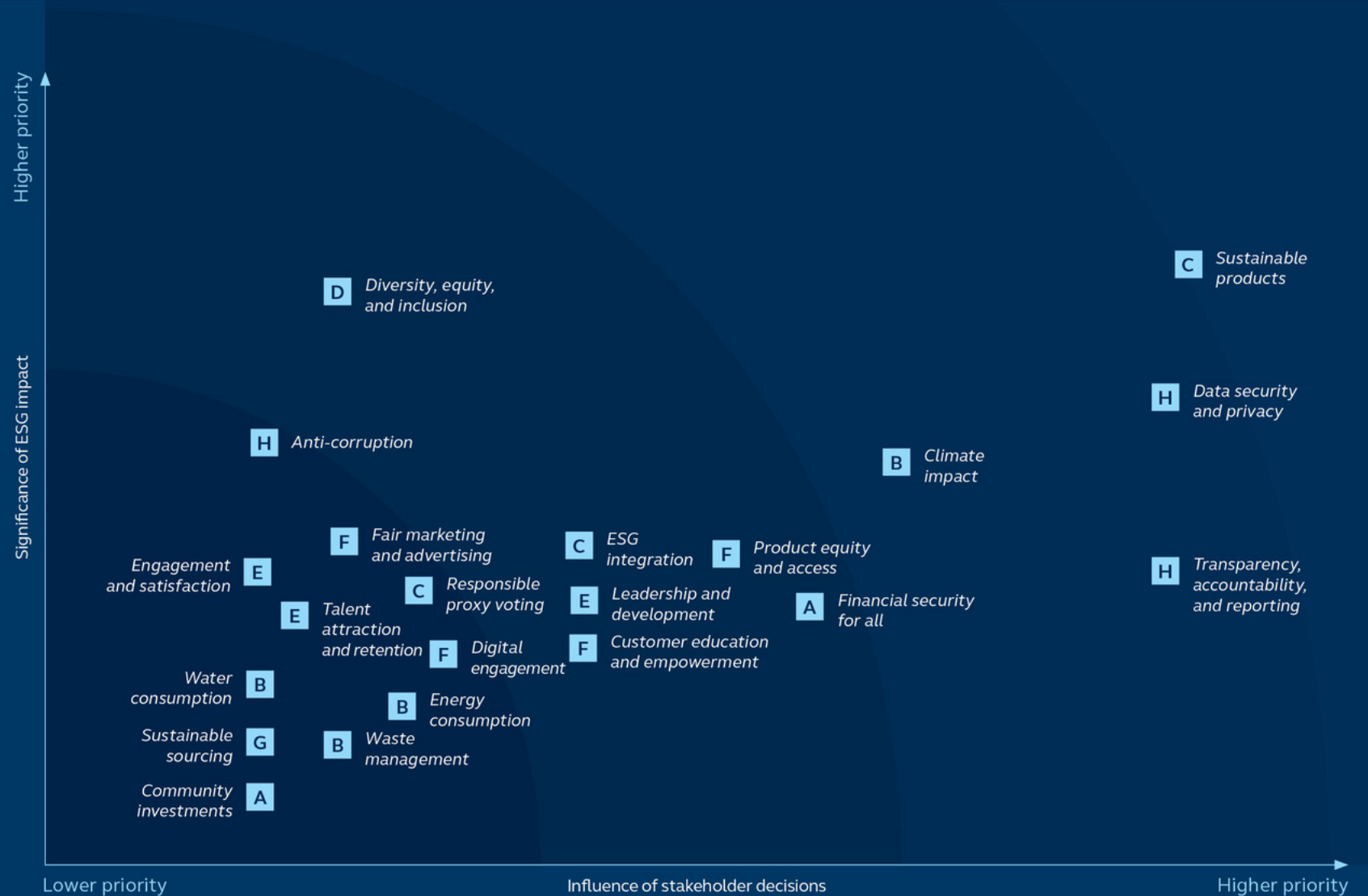
Given our industry and areas of expertise, the following topics are material to us:

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

Materiality matrix and topics




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

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








How we engage with our stakeholders

Stakeholder group	Material topic	Nature of engagement	Frequency
Employees	Diversity, equity, and inclusion Talent attraction and retention Leadership and development Engagement and satisfaction	We use formal pulse surveys to assess employee inclusion and engagement, identify gaps, and build a more inclusive workplace. Managers promote open and consistent dialogue and engage in formal performance reviews for career development and growth opportunity discussions. Knowledge and information sharing is encouraged and promoted through team and company-wide meetings. Informal, formal, and experiential learning opportunities are available to all employees to encourage a culture of development.	Ongoing 
Institutional clients	ESG integration Responsible proxy voting Sustainable products Data security and privacy Climate impact	Our institutional clients have regular touch points with dedicated account managers to identify specific needs and preferences for new and existing products. We use conference calls and webinars to ensure timely and transparent communication on company matters. Additionally, we provide resources such as fact sheets, prospectuses, and third-party ESG ratings to enhance understanding of the unique attributes of our investments and approach.	Ongoing 
Retail customers	Digital engagement Customer education and empowerment Fair marketing and advertising Product equity and access Sustainable products	We stay connected to our customers through direct outreach, surveys and polling, and digital conversations. In the U.S., we use our audience-based research communities, made up of U.S. Principal customers, employer business decision makers, and employees to gain target market understanding. We also monitor our customer-facing channels for feedback.	Ongoing 



Stakeholder group	Material topic	Nature of engagement	Frequency
Investors	<ul style="list-style-type: none"> Climate impact Sustainable sourcing Sustainable products Transparency, accountability, and reporting Anti-corruption 	<p>We have regular engagement with our investors and shareholders through press releases, conference calls, and webinars. We additionally provide transparent information to investors in a variety of forms including our annual proxy statement, annual sustainability report, and through ongoing ESG questionnaires.</p>	<p>Quarterly</p> 
Governments and industry associations	<ul style="list-style-type: none"> Financial security for all Product equity and access Community investments Diversity, equity, and inclusion Sustainable products Climate impact 	<p>We contribute to advancing financial inclusion through our membership of industry organizations and international associations as well as contributing to thought leadership on policy forums. We engage regularly in events, conferences, and roundtables supporting progress on topics that are important to us and our stakeholders across the globe.</p>	<p>Ad hoc</p> 
Communities	<ul style="list-style-type: none"> Community investments Diversity, equity, and inclusion Financial security for all Product equity and access 	<p>We regularly interact with the communities where we live and work through digital engagements, social media, and surveys. We collaborate with organizations and associations working towards shared goals and work to provide support through Foundation-sponsored events and partnerships.</p>	<p>Ad hoc</p> 

Sustainability Task Force

The Principal Sustainability Task Force comprises members appointed by Chairman, President, and CEO Dan Houston. Members are leaders across the organization and report quarterly to the Nominating and Governance Committee of the Board of Directors. The Sustainability Task Force ensures that material sustainability topics are integrated into and help guide our business decisions, drive our sustainability strategy, and support continuous engagement with stakeholders. This keeps us aligned with internal goals, third-party standards and reporting frameworks, and other business groups and signatories, such as the United Nations Global Compact.

The Sustainability Task Force meets monthly in accordance with its charter.

The Principal Sustainability Task Force comprises members appointed by Chairman, President, and CEO Dan Houston.



Beth Wood
Chair, EVP, and Chief Marketing Officer



Natalie Lamarque
EVP, General Counsel and Secretary



Ken McCullum
EVP and Chief Risk Officer



Binay Chandgothia
Managing Director, Portfolio Management



Kevin Farley
Vice President, Enterprise Worksite Services



Jo Christine Miles
Director, Principal® Foundation and Community Relations



Jane Keairns
Director, ESG and Emerging Strategies



Miriam Lewis
Chief Inclusion Officer



Chris Reddy
Executive Director, Investments and Client Solutions

Overview of frameworks and standards

About our 2023 Sustainability Report

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

The purpose of the annual Sustainability Report is to disclose our performance for the past year, share meaningful activations that help us achieve our long-term sustainability commitments, and inform our stakeholders of our plans for the following year. This report not only reviews what we accomplished and learned in 2023, it also allows us to communicate how our 2023 performance informs our planning, goals, and future initiatives.

This 2023 Sustainability Report primarily focuses on the sustainability issues that are considered to be most material to our sustainability goals and commitments and have the potential to significantly impact our stakeholders. We conducted a materiality assessment in 2020 and reevaluate our material topics each year, through which we determine specific measures that may influence the potential effectiveness and financial significance of addressing identified environmental, social, and corporate

governance (ESG) issues as part of our company's overall sustainability analysis.

This report does not cover all information about our business. The term "materiality" in the context of this report refers to the ESG elements deemed fundamental to the long-term success of our company's sustainability strategy. While our approach to considering materiality in the context of this report includes the consideration of events, including potential future events, that may be significant, any such significance should not be read as necessarily rising to the level of materiality used for purposes of complying with U.S. federal securities laws and regulations. Further, we are not using the term "materiality" in this report as it is used in the context of financial statements or financial reporting.

Please note this report includes data and activities from our global operations for calendar year 2023. Unless otherwise noted with respect to references to specific dates, all data is accurate as of December 31, 2023.

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

Forward-looking statements

This report contains statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements related to our sustainability vision,

commitments, strategy, work, beliefs, expectations, goals, and opinions.

Forward-looking statements can also be identified by words such as "anticipate," "believe," "plan," "estimate," "expect," "intend," "future," "may," and other similar expressions. Forward-looking statements are made based upon our current expectations and beliefs concerning future developments and their potential effects on us. Such forward-looking statements are not guarantees of future performance and actual results may differ materially from the results anticipated in the forward-looking statements.

We describe risks, uncertainties, and factors that could cause or contribute to such material differences in our filings with the Securities and Exchange Commission, including our annual report on Form 10-K for the year ended Dec. 31, 2023, as updated or supplemented from time to time in subsequent filings. We assume no obligation to update any forward-looking statement for any reason, which speaks as of its date.



[Read more about our materiality matrix](#)

For further information about our ESG reporting and resources, visit our [website](#)

Contact us:

principalsustainability@principal.com



Appendix

Global greenhouse gas (GHG) emissions (2019-2023)³⁹

Scope	Unit	2019	2020	2021	2022 ⁴⁰	2023 ⁴¹	% change since 2022
Scope 1 direct emissions	Metric tons CO ₂ e	6,557	4,523	4,103	5,076	5,479.0	+7.9%
Scope 2 market-based emissions	Metric tons CO ₂ e	29,965	17,477	20,199	18,024	14,249.4	-20.9%
Total scope 1 and scope 2 market-based emissions	Metric tons CO ₂ e	36,522	22,000	24,301	23,100	19,728.4	-14.6%
Scope 2 location-based emissions	Metric tons CO ₂ e	39,905	28,689	27,858	28,122	21,253.8	-24.4%
Total scope 1 and scope 2 location-based emissions	Metric tons CO ₂ e	46,462	33,213	31,961	33,198	26,732.7	-19.5%

U.S. greenhouse gas (GHG) emissions (2019-2023)³⁹

Scope	Unit	2019	2020	2021	2022 ⁴⁰	2023 ⁴¹	% change since 2022
Scope 1 direct emissions	Metric tons CO ₂ e	6,454	4,400	4,021	4,909	5,364.8	+9.3%
Scope 2 market-based emissions	Metric tons CO ₂ e	24,226	13,187	16,278	12,419	9,560.2	-23.0%
Total scope 1 and scope 2 market-based emissions	Metric tons CO ₂ e	30,680	17,587	20,249	17,329	14,925.1	-13.9%
Scope 2 location-based emissions	Metric tons CO ₂ e	34,166	24,400	23,739	22,517	16,564.6	-26.4%
Total scope 1 and scope 2 location-based emissions	Metric tons CO ₂ e	40,619	28,800	27,761	27,426	21,929.4	-20.0%

³⁹ MTCO₂e are rounded to the nearest whole number for previous reporting years.

⁴⁰ 2022 GHG emission values were validated after the publication of the 2022 Sustainability Report so 2022 figures may differ.

⁴¹ 2023 GHG emissions values will be verified in Q2 2024, and final figures will be disclosed in the 2023 CDP Climate Change Questionnaire. Data represents global figures. MTCO₂e are rounded to the nearest whole number.

Global energy consumption (2019-2023)⁴²

Year	Total energy consumption (MWh)	Year-over-year change in energy consumption (%)
2019	104,669	
2020	87,496	-16.4%
2021	82,591	-5.6%
2022 ⁴⁴	85,973	+4.1%
2023 ⁴⁵	74,364.8	-13.5%

Global energy consumed by source (2019-2023)^{42, 43}

Year	Energy consumed from fuel (MWh)	Energy consumed from fuel (%)	Energy consumed from electricity (MWh)	Energy consumed from electricity (%)
2019	31,934	30.5%	72,735	69.5%
2020	23,418	26.8%	64,078	73.2%
2021	20,689	25.1%	61,902	74.9%
2022 ⁴⁴	24,221	28.2%	61,752	71.8%
2023 ⁴⁵	25,224.6	33.9%	49,114.5	66.1%

⁴² MWh are rounded to the nearest whole number for previous reporting years.⁴³ Fuel types include natural gas, jet, and diesel.⁴⁴ 2022 GHG emissions and energy consumption values were validated after the publication of the 2022 Sustainability Report so 2022 figures may differ.⁴⁵ 2023 GHG emissions and energy consumption values will be verified in Q2 2024, and final figures will be disclosed in the 2024 CDP Climate Change Questionnaire. Data represents global figures. MWh are rounded to the nearest whole number.U.S. energy consumption (2019-2023)⁴²

Year	Total energy consumption (MWh)	Year-over-year change in energy consumption (%)
2019	91,970	
2020	77,496	-15.7%
2021	73,496	-5.2%
2022 ⁴⁴	73,629	+0.2%
2023 ⁴⁵	63,936.7	-13.2%

U.S. energy consumed by source (2019-2023)^{42, 43}

Year	Energy consumed from fuel (MWh)	Energy consumed from fuel (%)	Energy consumed from electricity (MWh)	Energy consumed from electricity (%)
2019	31,525	34.3%	60,444	65.7%
2020	22,928	29.6%	54,568	70.4%
2021	20,367	27.7%	53,129	72.3%
2022 ⁴⁴	23,562	32.0%	50,068	68.0%
2023 ⁴⁵	24,773.9	38.7%	39,162.8	61.3%

U.S. water consumption (2018-2023)⁴⁶

Year	Total water consumption (kGal)	Year-over-year change in water consumption (%)
2018	43,543.2	
2019	38,128.0	-12.4%
2020	27,837.4	-27.0%
2021	28,469.9	+2.3%
2022	25,321.7	-11.1%
2023	24,484.3	-3.3%

U.S. waste produced (2018-2023)⁴⁶

	2018	2019	2020	2021	2022	2023
Non-hazardous waste produced (mt)	1,267.2	1,247.8	660.2	738.0	751.5	811.6
% of total waste (non-hazardous and hazardous) produced	95.9%	94.4%	88.2%	91.5%	94.4%	87.1%
Hazardous waste produced (mt)	53.6	74.2	88.4	68.3	44.6	120.2
% of total waste (non-hazardous and hazardous) produced	4.1%	5.6%	11.8%	8.5%	5.6%	12.9%

U.S. waste diverted from landfill (2018-2023)⁴⁶

	2018	2019	2020	2021	2022	2023
Waste (non-hazardous and hazardous) diverted (mt)	845.7	842.5	550.8	577.2	551.6	644.4
% of total waste (non-hazardous and hazardous) diverted	64.0%	63.7%	73.6%	71.6%	69.3%	69.2%
Non-hazardous waste diverted (mt)	792.2	768.3	462.4	508.9	507.0	524.3
% of total non-hazardous diverted	62.5%	61.6%	70.0%	69.0%	67.5%	64.6%
Hazardous waste diverted (mt)	53.6	74.2	88.4	68.3	44.6	120.2
% of total hazardous waste diverted	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

U.S. waste sent to landfill (2018-2023)⁴⁶

	2018	2019	2020	2021	2022	2023
Non-hazardous waste sent to landfill (mt)	475.0	479.5	197.7	229.1	244.5	287.4
% of total non-hazardous waste sent to landfill	37.5%	38.4%	30.0%	31.0%	32.5%	35.4%

⁴⁶ Historical figures have been updated to reflect actual data. Waste and water data represent select U.S. offices only.

**U.S. waste recycled (2018-2023)⁴⁷**

	2018	2019	2020	2021	2022	2023
Non-hazardous waste recycled (mt)	757.9	703.6	430.4	466.0	491.2	511.1
% of total non-hazardous waste recycled	59.8%	56.4%	65.2%	63.1%	65.4%	63.0%
Hazardous waste recycled (mt)	53.6	74.2	88.4	68.3	44.6	120.2
% of total hazardous waste recycled	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

U.S. waste upcycled or donated (2018-2023)⁴⁷

	2018	2019	2020	2021	2022	2023
Non-hazardous waste (mt) upcycled or donated	0.0	0.0	5.4	37.8	9.3	7.2
% of total non-hazardous waste upcycled or donated	0.0%	0.0%	0.8%	5.1%	1.2%	0.9%

U.S. waste composted (2018-2023)⁴⁷

	2018	2019	2020	2021	2022	2023
Non-hazardous waste composted (mt)	34.2	64.7	26.7	5.1	6.4	6.0
% of total non-hazardous waste composted	2.7%	5.2%	4.0%	0.7%	0.9%	0.7%

U.S. diverse spend breakdown (2021-2023)

	2021		2022		2023		2024
	Target	Actual	Target	Actual	Target	Actual	Target
Total (\$millions)	\$69.5	\$68.4	\$79.5	\$65.8	\$53.2	\$42.1	\$42.0

⁴⁷ Historical figures have been updated to reflect actual data. Waste and water data represent select U.S. offices only.

Total workforce as of December 31, 2023

	U.S.	International	Global
Total workforce ⁴⁸	12,138	7,706	19,844
Total full-time	12,050	7,640	19,690
Total male full-time	5,226	3,941	9,167
Total female full-time	6,816	3,692	10,508
Total part-time	88	66	154
Total male part-time	16	3	19
Total female part-time	72	63	135
Total temporary (interns/short-term)	1,021	1,112	2,133
Total active contractors	192	0	192
Total independent contractors	0	0	0

U.S. demographics as of December 31, 2023⁴⁹

	American Indian or Alaskan Native	Asian	Black	Latino/a	Native Hawaiian or Pacific Islander	Two or more races	White
Male	11	271	226	220	3	86	4,411
% of U.S. workforce	0.09%	2.23%	1.86%	1.81%	0.02%	0.71%	36.34%
Female	16	289	426	321	4	98	5,713
% of U.S. workforce	0.13%	2.38%	3.51%	2.64%	0.03%	0.81%	47.07%
Total U.S. workforce	27	560	652	541	7	184	10,124
% of total U.S. workforce	0.22%	4.61%	5.37%	4.45%	0.05%	1.52%	83.41%

⁴⁸ Inclusive of full-time and part-time employees. 15 employees have not indicated gender.

⁴⁹ Racial and ethnic demographic data is currently collected in the U.S. only. Figures presented here include our U.S. workforce. Due to rounding, figures may not add up to 100%. Two U.S. employees are listed as unknown gender and Latino/a, which is approximately 0.02%, one U.S. employee is listed as unknown gender and Asian, which is approximately 0.008%, four U.S. employees are listed as unknown gender and white, which is approximately 0.03%. 14 U.S. employees are listed as male and not disclosed/none for race/ethnicity, which is approximately 0.01%. 21 U.S. employees are listed as female and not disclosed/none for race/ethnicity, which is approximately 0.02%. One U.S. employee is listed as unknown gender and unknown race/ethnicity, which is approximately 0.008%.

U.S. demographic employee representation by employment category⁵⁰

U.S. race/ethnicity							
Job category	American Indian or Native Alaskan	Asian	Black	Latino/a	Native Hawaiian or Pacific Islander	Two or more races	White
Executives	0 0.00%	2 17.00%	1 8.00%	0 0.00%	0 0.00%	0 0.00%	9 75.00%
Senior management	1 8.00%	1 8.00%	0 0.00%	1 8.00%	0 0.00%	0 0.00%	10 77.00%
Management	6 0.34%	57 3.00%	37 2.00%	31 2.00%	1 0.06%	15 0.86%	1,598 91.00%
Professionals and administrators	20 0.19%	501 4.83%	614 5.92%	511 4.93%	6 0.06%	169 1.63%	8,511 82.00%
Total workforce	27 0.22%	561 4.62%	652 5.37%	543 4.47%	7 0.05%	184 1.51%	10,128 83.44%

⁵⁰ Racial and ethnic demographic data is currently only collected in the U.S. Figures presented here include our U.S. workforce. The data in the 'Executives' row includes the 12 U.S.-based EMG members out of the 13 global total. The data in the 'Senior management' row includes the 13 U.S.-based senior management individuals out of the 14 global total at Principal. The data in the 'Management' row includes the 1,745 U.S.-based management individuals with identified races out of the total 2,815 global total. The data in the 'Professionals/administrators' row includes the 10,332 U.S.-based professionals/administrators with identified races out of the total global 17,002. 36 U.S. employees are listed as not disclosed/none for race/ethnicity.

⁵¹ Two employees have not indicated their generation.

U.S. employee representation for people of color, persons with disabilities, and veterans (2019-2023)

	2019	2020	2021	2022	2023
People of color	10.5%	11.9%	14.1%	15.6%	16.3%
Persons with disabilities	1.3%	2.2%	1.9%	4.5%	5.0%
Veterans	1.5%	3.0%	2.6%	3.1%	3.2%

Global employee representation by generation⁵¹

	Birth years	Ages	# of individuals	% of workforce
Silent generation	1928-1945	78-95	3	0.02%
Baby boomers	1946-1964	59-77	1,613	8.13%
Generation X	1965-1980	43-58	7,275	36.66%
Millennial	1981-1996	27-42	8,928	44.99%
Generation Z	1997-2010	11-26	2,023	10.20%



Global open positions and fills by geography and gender⁵²

	Global	U.S.
Total number of open positions	4,008	2,248
Total number of fills	3,052	1,809
Percentage of global open positions in 2023 filled by internal candidates	18.8%	
Percentage of global open positions in 2023 filled by internal candidates by gender	Male	Female
	42.2%	57.8%

Global open positions filled by internal candidates by employment category⁵²

	# of individuals	% of hires
Executive	0	0.0%
Senior management	0	0.0%
Management	81	8.7%
Professionals and administrators	635	91.3%

Percentage of U.S. open positions in 2023 filled by internal candidates by race/ethnicity⁵²

	# of individuals	% of internal hires
American Indian or Native Alaskan	1	0.2%
Asian	28	4.4%
Black	51	7.9%
Latino/a	37	5.8%
Native Hawaiian or Pacific Islander	0	0.0%
White	507	78.8%
Two or more races	19	3.0%

⁵² Internal hires include transfers, promotions, and job changes. This data does not include any fills that occurred outside of our ICIMS system so is not representative of total internal hires. Data is accurate as of 12/31/2023.



Global hiring by employment category

	# of individuals	% of hires
Executive	1	0.03%
Senior management	2	0.05%
Management	72	1.92%
Professionals and administrators	3,674	98.00%

Global hiring by gender

	# of individuals	% of hires
Male	1,836	48.97%
Female	1,896	50.57%
Gender non-identifying	17	0.45%

U.S. hiring by race/ethnicity⁵³

	# of individuals	% of hires
American Indian or Native Alaskan	4	0.3%
Asian	96	7.9%
Black	150	12.4%
Latino/a	101	8.3%
Native Hawaiian or Pacific Islander	2	0.2%
Two or more races	41	3.4%
White	808	66.5%

Employee turnover by geography (# of terminations and turnover %) (2019-2023)

Geography	2019		2020		2021		2022		2023	
	#	%	#	%	#	%	#	%	#	%
U.S.	1,145	11%	813	8%	1,446	13%	1,532	13%	1,240	10%
Global	4,528	26%	2,934	17%	4,271	24%	3,971	21%	3,288	17%

⁵³ 1% of new hires did not disclose race/ethnicity.

**Employee turnover as of December 31, 2023 (# of terminations and turnover %)⁵⁴**

Voluntary vs. involuntary	# of terminations	Turnover %
Voluntary	2,576	13%
Involuntary	712	4%

Gender ⁵⁵	# of terminations	% of total turnover
Female	1,751	53.25%
Male	1,531	46.56%
Gender non-identifying	6	0.18%

Race/ethnicity ⁵⁶	# of terminations	% of total turnover
American Indian or Native Alaskan	3	0.2%
Asian	46	3.9%
Black	127	10.3%
Latino/a	95	7.7%
Native Hawaiian or Pacific Islander	0	0.0%
Two or more races	39	3.2%
White	922	74.4%

Employment category	# of terminations	% of total turnover
Executive	1	0.03%
Senior Management	2	0.06%
Management	182	5.60%
Professionals and administrators	3,103	94.31%

Average tenure by geography and gender⁵⁷

Global demographics	Year	U.S.	Global	Male	Female
Average tenure (years)	2023	11.08	8.55	7.53	9.44
	2022	10.96	8.58	7.53	9.47

U.S. average tenure by race/ethnicity⁵⁷

U.S. demographics	American Indian or Alaskan Native	Asian	Black	Latino/a	Native Hawaiian or Pacific Islander	Two or more races	White
Average tenure (years)	7.48	6.90	4.65	6.30	3.33	3.63	12.16

⁵⁴ All data represents percentage of terminations, except for 'Voluntary vs involuntary', which is calculated by number of terminations (voluntary or involuntary) divided by average headcount. The total percentage adds up to the global turnover rate for 2023.

⁵⁵ Due to rounding, figures may not add up to 100%.

⁵⁶ Race/ethnicity demographic data reflects U.S. terminations only. >1% of U.S. terminated employees did not disclose their ethnicity. Due to rounding, figures may not add up to 100%.

⁵⁷ Average tenure represents continuous years of service which is the number of years employed by us in the most recent employment period.



Percentage of employees who received ratings in the 2023 performance review period by gender and ethnicity (U.S. only)⁵⁸

Gender	% of employees who received ratings
Female	95.9%
Male	95.2%
Gender non-identifying	80.0%

Race/ethnicity	% of employees who received ratings
American Indian or Native Alaskan	100.0%
Asian	99.6%
Black	100.0%
Latino/a	99.8%
Native Hawaiian or Pacific Islander	100.0%
Two or more races	100.0%
White	99.9%
Total U.S. receiving a rating	99.9%

⁵⁸ 98% of U.S. employees were eligible to receive a performance review.

Important information

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. Investment teams have a high degree of investment process autonomy and may consider or weight ESG criteria or factors differently (or not at all). For those teams that consider ESG factors as part of the investment process in strategies that are not explicitly ESG-oriented, those ESG factors are generally no more significant than other factors in the investment selection process, such that ESG factors may not be determinative in deciding to include or exclude any particular investment in the portfolio. Information regarding responsible practices or other ESG data differs by source and may not be accurate or complete. Integration of ESG factors may present additional advantages or risks, may not protect against market risk or volatility, and under certain circumstances may detract from investment performance.

You should not make any investment assumptions based solely on the information contained herein. Information is provided as additional insight into the relevant investment processes and should not be viewed as a change in an investment team's underlying investment objectives, strategies, risk parameters, or portfolio construction guidelines. There is no assurance that any strategy or integration of ESG factors will be successful or profitable.

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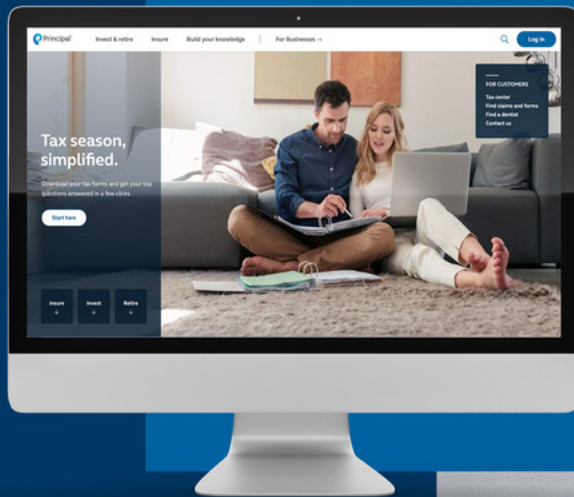
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Contact

Principal Financial Group®
711 High Street
Des Moines
Iowa 50392



Get the latest information at
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Principal Claritas

Additional information related to Brazil

Stewardship Report for 2023



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 62 million** customers who rely on expertise in retirement, insurance, and asset management.¹

Attracting, developing, and retaining a global workforce of more than **20,000 employees** located in offices **across 27 nations and territories**.¹

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”**).

¹ Investment management products and solutions are provided by Principal Asset Management.

Industry leadership and recognition

Named the **No. 3 401(k) plan service provider by number of participants²** and the **No.1 defined benefit plan service provider.³**

Named one of the **Best Employers for Women 2023.⁴**

Ranked 341st on the Forbes Global 2000 list, which recognizes the **world’s biggest and most powerful** companies.⁵

Recognized as a **2024 World’s Most Ethical Companies®.⁶**

¹As of December 31, 2023. ²PLANSponsor Recordkeeping Survey (July 2023).

³PLANSponsor Defined Benefit Administration survey (August 2023). ⁴Forbes (July 2023).

⁵As measured by a composite ranking for sales, profits, assets, and market value (June 2023).

⁶Ethisphere (December 2023) An application fee was paid by the firm to be considered for the award.



Pioneer in independent resource management in Brazil

Multi-product manager who has been in the market for 25 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 Principal Claritas Board of Directors.

Top rating by Moody's Local MQ1.br, which rates the management of Principal Claritas as excellent, considering four factors: the investment process, risk-adjusted performance, the financial profile and customer service.

MOODY'S
LOCAL
MQ1.br (Excelente)

Signatory of:



Sustainable Investing 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 – MANAGING DIRECTOR

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.

Sustainable Investing 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 – CHIEF LEGAL AND COMPLIANCE OFFICER

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.



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.

Sustainable Investing Committee

In 2023, the Committee members decided to meet more frequently. Therefore, instead of semiannual, the frequency of meetings has become quarterly. 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 Sustainable Investing 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.

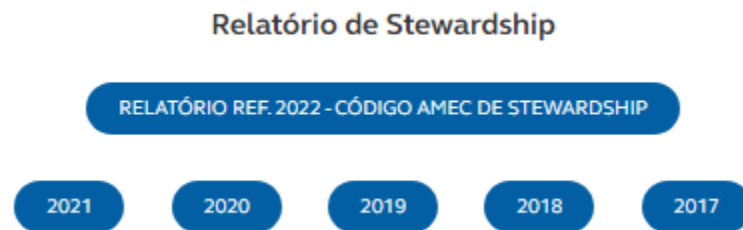
Sustainable Investing Committee

During the Sustainable Investing committee meetings related to 2023, 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
- ✓ Regulatory updates on Sustainability topics
- ✓ ESG Factors:
 - ✓ Improvements on Principal Claritas Funds which would be applicable
- ✓ AMEC and PRI:
 - ✓ Annual report feedback
 - ✓ Analysis and suggestions of improvements
- ✓ Principal Claritas Social and Environmental Responsibility Policy: annual review
- ✓ Proxy Voting: shareholders meetings
- ✓ 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:



[Principal-Claritas-Stewardship-Brazil](#)



[PRI Public Report Signatories](#)

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

SUSTAINABLE INVESTING POLICY

[Sustainable-Investing-Policy](#)

Proxy voting policy

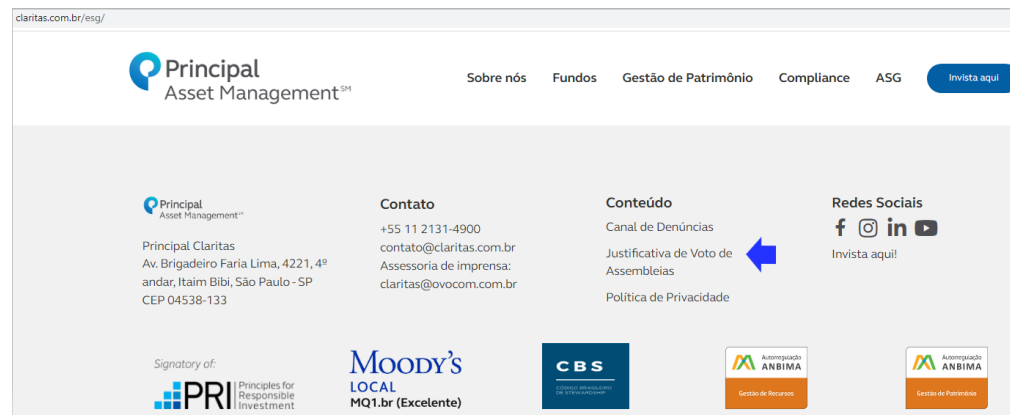
Principal Claritas regularly reviews its Voting Policy to ensure that it remains up to date with the necessary requirements and principles for exercising voting rights at general meetings of the investment funds it represents.

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 2023:

ZAMP JUSTIFICATIVA DE VOTO EM ASSEMBLEIA ZAMP – 28/04/2023	WEGE JUSTIFICATIVA DE VOTO EM ASSEMBLEIA WEGE – 25/04/2023	VIIA JUSTIFICATIVA DE VOTO EM ASSEMBLEIA VIIA – 19/04/2023	VAMO JUSTIFICATIVA DE VOTO EM ASSEMBLEIA VAMO – 28/04/2023	POMO JUSTIFICATIVA DE VOTO EM ASSEMBLEIA POMO – 30/03/2023	PETZ JUSTIFICATIVA DE VOTO EM ASSEMBLEIA PETZ – 24/04/2023	PETR JUSTIFICATIVA DE VOTO EM ASSEMBLEIA PETR – 27/04/2023	ODPV JUSTIFICATIVA DE VOTO EM ASSEMBLEIA ODPV – 05/04/2023
VALE JUSTIFICATIVA DE VOTO EM ASSEMBLEIA VALE – 28/04/2023	UNIP JUSTIFICATIVA DE VOTO EM ASSEMBLEIA UNIP – 20/04/2023	UGPA JUSTIFICATIVA DE VOTO EM ASSEMBLEIA UGPA – 19/04/2023	TOTS JUSTIFICATIVA DE VOTO EM ASSEMBLEIA TOTS – 19/04/2023	MRVE JUSTIFICATIVA DE VOTO EM ASSEMBLEIA MRVE – 25/04/2023	MRFG JUSTIFICATIVA DE VOTO EM ASSEMBLEIA MRFG – 11/04/2023	MDIA JUSTIFICATIVA DE VOTO EM ASSEMBLEIA MDIA – 20/04/2023	LREN JUSTIFICATIVA DE VOTO EM ASSEMBLEIA LREN – 20/04/2023
TIMS JUSTIFICATIVA DE VOTO EM ASSEMBLEIA TIMS – 30/03/2023	SUZB JUSTIFICATIVA DE VOTO EM ASSEMBLEIA SUZB – 26/04/2023	SOMA JUSTIFICATIVA DE VOTO EM ASSEMBLEIA SOMA – 30/03/2023	SMFT JUSTIFICATIVA DE VOTO EM ASSEMBLEIA SMFT – 25/04/2023	KLBN JUSTIFICATIVA DE VOTO EM ASSEMBLEIA KLBN – 05/04/2023	KEPL JUSTIFICATIVA DE VOTO EM ASSEMBLEIA KEPL – 21/03/2023	JHSF JUSTIFICATIVA DE VOTO EM ASSEMBLEIA JHSF – 27/04/2023	ITUB JUSTIFICATIVA DE VOTO EM ASSEMBLEIA ITUB – 25/04/2023
RENT JUSTIFICATIVA DE VOTO EM ASSEMBLEIA RENT – 25/04/2023	RECV JUSTIFICATIVA DE VOTO EM ASSEMBLEIA RECV – 26/04/2023	RAPT JUSTIFICATIVA DE VOTO EM ASSEMBLEIA RAPT – 14/04/2023	PSSA JUSTIFICATIVA DE VOTO EM ASSEMBLEIA PSSA – 31/03/2023	ITSA JUSTIFICATIVA DE VOTO EM ASSEMBLEIA ITSA – 28/04/2023	IRBR JUSTIFICATIVA DE VOTO EM ASSEMBLEIA IRBR – 11/04/2023	IGTI JUSTIFICATIVA DE VOTO EM ASSEMBLEIA IGTI – 20/04/2023	HAPV JUSTIFICATIVA DE VOTO EM ASSEMBLEIA HAPV – 27/04/2023

Proxy voting

GMAT JUSTIFICATIVA DE VOTO EM ASSEMBLEIA GMAT – 20/04/2023	GGBR JUSTIFICATIVA DE VOTO EM ASSEMBLEIA GGBR – 17/04/2023	FESA JUSTIFICATIVA DE VOTO EM ASSEMBLEIA FESA – 18/04/2023	ENGI JUSTIFICATIVA DE VOTO EM ASSEMBLEIA ENGI – 26/04/2023	BBSE JUSTIFICATIVA DE VOTO EM ASSEMBLEIA BBSE – 28/04/2023	BBDC JUSTIFICATIVA DE VOTO EM ASSEMBLEIA BBDC – 10/03/2023	BBAS JUSTIFICATIVA DE VOTO EM ASSEMBLEIA BBAS – 27/04/2023	B3SA JUSTIFICATIVA DE VOTO EM ASSEMBLEIA B3SA – 01/06/2023
ENBR JUSTIFICATIVA DE VOTO EM ASSEMBLEIA ENBR – 11/04/2023	ELET JUSTIFICATIVA DE VOTO EM ASSEMBLEIA ELET – 17/04/2023	EGIE JUSTIFICATIVA DE VOTO EM ASSEMBLEIA EGIE – 26/04/2023	DIRR JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DIRR – 28/04/2023	ASAI JUSTIFICATIVA DE VOTO EM ASSEMBLEIA ASAI – 27/04/2023	ARZZ JUSTIFICATIVA DE VOTO EM ASSEMBLEIA ARZZ – 28/04/2023 E 29/05/2023	ANIM JUSTIFICATIVA DE VOTO EM ASSEMBLEIA ANIM – 28/04/2023	AMPB JUSTIFICATIVA DE VOTO EM ASSEMBLEIA AMPB – 28/04/2023
CURY JUSTIFICATIVA DE VOTO EM ASSEMBLEIA CURY – 28/04/2023	CSAN JUSTIFICATIVA DE VOTO EM ASSEMBLEIA CSAN – 27/04/2023	CRFB JUSTIFICATIVA DE VOTO EM ASSEMBLEIA CRFB – 13/04/2023	CPFL JUSTIFICATIVA DE VOTO EM ASSEMBLEIA CPFL – 28/04/2023	ALUP JUSTIFICATIVA DE VOTO EM ASSEMBLEIA ALUP – 17/04/2023	ALSO JUSTIFICATIVA DE VOTO EM ASSEMBLEIA ALSO – 28/04/2023	ALPA JUSTIFICATIVA DE VOTO EM ASSEMBLEIA ALPA – 26/04/2023	AGRO JUSTIFICATIVA DE VOTO EM ASSEMBLEIA AGRO – 28/04/2023
COGN JUSTIFICATIVA DE VOTO EM ASSEMBLEIA COGN – 28/04/2023	CCRO JUSTIFICATIVA DE VOTO EM ASSEMBLEIA CCRO – 19/04/2023	BRFS JUSTIFICATIVA DE VOTO EM ASSEMBLEIA BRFS – 12/04/2023	BEEF JUSTIFICATIVA DE VOTO EM ASSEMBLEIA BEEF – 18/04/2023	AESB JUSTIFICATIVA DE VOTO EM ASSEMBLEIA AESB – 27/04/2023	ABEV JUSTIFICATIVA DE VOTO EM ASSEMBLEIA ABEV – 28/04/2023	ABCB JUSTIFICATIVA DE VOTO EM ASSEMBLEIA ABCB – 28/04/2023	

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 – voting process insights

- ✓ 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.
- ✓ Although we outline a consistent use of electronic voting platforms as well as the adoption of B3's online ballot submission by the custodians, we also noted that this consistency is maintained by custodians which already have a proper server and/or dedicated team.
- ✓ Custodians which had a weak ballot submission process, did not show significant improvements. As a matter of fact, we struggled in handling a consistent proxy voting process with some custodians and have adhered to direct voting with companies.
- ✓ 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 20 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 2023, 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.: Paulo Frade (member) and Márcio Prado (alternate member)
- ✓ Vamos Locação de Caminhões, Máquinas e Equipamentos S.A.: Paulo Frade (member) and Rafael Rodrigues (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	2020-2022
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 	<ul style="list-style-type: none"> • Improvement in communication with the market regarding the perception of value related to ESG practices.

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.

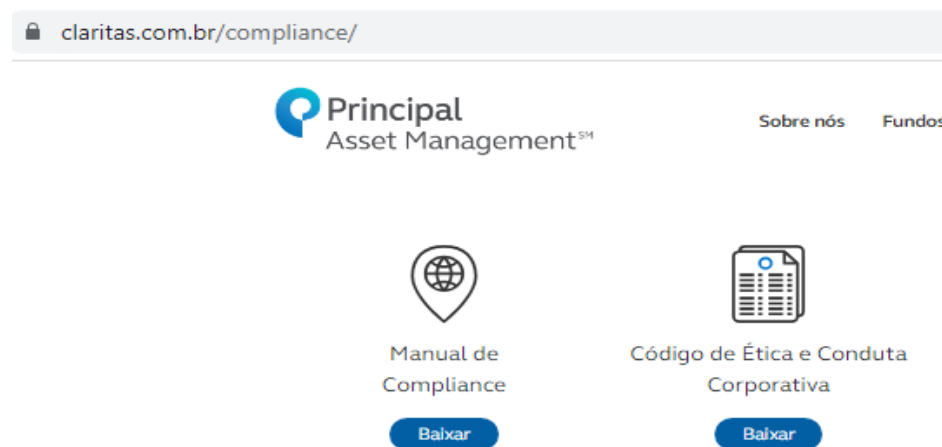
Potential Conflict of Interest

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

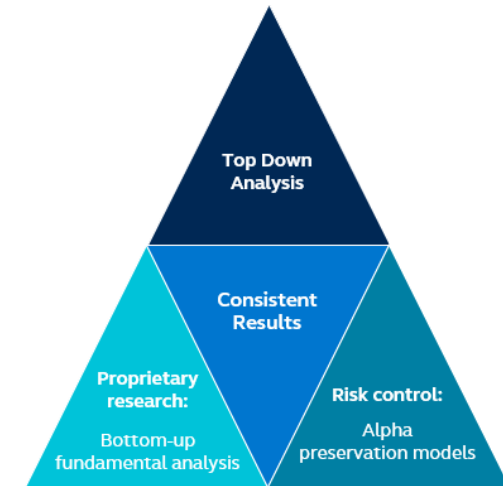
Principal Claritas' equities team believes that the combination of deep top down analysis aligned with fundamental asset picking produces stable and meaningful alpha over the medium to long term. Quality assets to compose the portfolio must present (i) sustainable fundamentals, (ii) attractive valuation 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. During 2023, Principal Claritas also published the Continuing Actions Forms for such funds. The documents are public and can be accessed on Principal Claritas website: <https://www.claritas.com.br/esg/>

Formulário de Metodologia ASG:



Claritas FIRF Crédito Privado Longo Prazo - CNPJ nº 11.447.136-0001-60

Baixar



Claritas FIC de FIRF Crédito Privado Longo Prazo - CNPJ nº 29.813.630.0001-67

Baixar



Claritas Liquidez FIRF Crédito Privado - CNPJ nº 48.038.284/0001-31

Baixar



Claritas Liquidez FIC de FIRF Crédito Privado - CNPJ nº 48.263.105/0001-60

Baixar



Claritas FIRF Crédito Privado Longo Prazo - CNPJ nº 11.447.136-0001-60

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Claritas Liquidez FIRF Crédito Privado - CNPJ nº 48.038.284/0001-31

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Claritas Liquidez FIC de FIRF Crédito Privado - CNPJ nº 48.263.105/0001-60

Baixar



Claritas Valor Feeder FIC de FIA - CNPJ nº 11.403.850/0001-57

Baixar



Claritas Valor Fundo de Investimento em Ações - CNPJ nº 11.357.735/0001-93

Baixar



Claritas Timber FIP Multiestratégia - CNPJ nº 41.758.841/0001-40

Baixar



Claritas Valor Feeder FIC de FIA - CNPJ nº 11.403.850/0001-57

Baixar



Claritas Valor Fundo de Investimento em Ações - CNPJ nº 11.357.735/0001-93

Baixar

Formulário de Ações Continuadas:

ESG factors in Brazilian Funds

Timber Funds

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

✓ Principal Claritas Solidária:



- ✓ 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. For more details about the Program, please visit: [ASG – Claritas](#).
- ✓ In addition to the financial education program, we turned the money that would have been used for year-end gifts for clients into donations to charitable organizations. We have already contributed nearly 10 tons of food to the Caça-Fome project, which delivers food to residents of disadvantaged neighborhoods and communities, and to Celeiro da Vó Tunica, which shelters 18-year-olds who have left the foster care system and are in vulnerable situations.

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To know about the information, characteristics and risks of any investment funds treated in this material, please check the materials of Claritas funds, available at: <https://www.claritas.com.br/relatorios/>

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