

# Claritas

A Principal® company

## Relatório de implementação ao Programa de *Stewardship*

Referente a 2020

## Sumário

<b>Relatório de Implementação ao Programa de <i>Stewardship</i></b> .....	<b>3</b>
Quem somos .....	3
Contexto e Objetivos.....	4
Relatório.....	5
<b>Administração de Conflito de Interesses</b> .....	<b>5</b>
Segurança e Sigilo das Informações.....	6
<i>Best Execution</i> .....	8
Processo de supervisão das corretoras .....	9
Rateio e Divisão de Ordens.....	9
Canal de Comunicação.....	10
<b>Considerações de Aspectos ASG</b> .....	<b>10</b>
Política e Procedimentos de Responsabilidade Socioambiental .....	10
Fatores e Riscos ASG.....	11
Aspectos ASG no Processo de Investimento .....	11
Ações: .....	12
Renda Fixa: .....	13
Fundos florestais: .....	15
Análise de Riscos .....	18
<i>Know Your Partner</i> .....	19
<b>Iniciativas e Projetos</b> .....	<b>20</b>
<b>Monitoramento dos emissores de valores mobiliários investidos</b> .....	<b>21</b>
<b>Política e Procedimentos no Exercício dos Direitos de Voto</b> .....	<b>21</b>
Procedimentos relacionados ao Conflito de Interesses .....	22
Processo de Tomada de Decisão .....	22
Disponibilidade da Política de Voto.....	23
<b>Engajamento e Transparência</b> .....	<b>23</b>
<b>Anexo I</b> .....	<b>24</b>

## Relatório de Implementação ao Programa de *Stewardship*

### Quem somos

A Claritas Administração de Recursos Ltda. (“Claritas”) é uma empresa de administração de recursos independente, especializada na gestão de fundos de investimento no Brasil e no exterior. A empresa foi fundada em fevereiro de 1999 e é uma das pioneiras na gestão de recursos de terceiros no Brasil.

Atualmente, a estrutura da empresa é composta por três grupos principais: Gestão de Fundos de Investimento, Gestão de Patrimônio e Gestão de Produtos Alternativos (Fundos Florestais, Fundos de Crédito e Fundos Imobiliários). Na gestão de Fundos de Investimento, a Claritas possui hoje uma ampla grade de produtos complementares para atender diversos tipos de clientes, composta por fundos “macro”, long short, long bias, ações direcional, quantitativo, fundos focados no mercado internacional, além de produtos de menor risco focados em clientes institucionais.

A Claritas possui independência operacional na gestão dos recursos e mantém uma política de segregação de funções e responsabilidades em relação às atividades de custódia, cálculo de quotas e precificação de ativos. A responsabilidade dessas atividades é transferida a instituições financeiras de renome e com vasta experiência em controladoria, administração e custódia de fundos.

A Claritas Administração de Recursos (“Claritas”) e a Principal Financial Group® Inc. (The Principal®)\* oficializaram no dia 2 de abril de 2012 um acordo de aquisição, com o qual a Principal passou a deter mais de 60% de participação na Claritas. Após quase quatro anos, no dia 1º de março de 2016, a Principal adquiriu a participação restante da Claritas. Com a nova estrutura acionária, a Claritas passou também a contar com a experiência e tecnologia da Principal na gestão de fundos de investimentos.

Os líderes da Principal também buscam a ética e a integridade como parte da missão para auxiliar empresas, pessoas físicas e clientes institucionais a alcançar seu sucesso e segurança financeira. Os executivos, assim como os colaboradores, estão comprometidos com os valores intrínsecos de integridade, foco no cliente, desenvolvimento de pessoas, força financeira e excelência operacional.

A Principal tem uma grande responsabilidade em relação ao meio ambiente. Ter a preocupação com o meio ambiente é uma extensão dos valores de integridade da empresa.

Durante anos a Principal dedicou grandes esforços à sustentabilidade até que, em 2008, formalizou seu compromisso implementando um comitê de sustentabilidade formado por uma equipe de áreas e cargos diversos, que tem como proposta zelar pela responsabilidade em relação ao meio ambiente dentro da organização.

Além disso, a Principal tem grande foco em investimento responsável e forte compromisso com os fatores ESG. Para saber mais sobre as políticas, relatórios e realizações da Principal Global Investors voltadas para investimento responsável, visite o site: <https://www.principalglobal.com/about-us/responsible-investing>

Em 2020 a Principal focou ainda mais nas práticas e compromissos de investimentos responsáveis. Vide Anexo I para obter informações detalhadas sobre os avanços desenvolvidos pela Principal.

## Contexto e Objetivos

Conforme seus princípios e diretrizes de melhores práticas do mercado, a Claritas busca contribuir para o desenvolvimento de forma responsável e fomentando aspectos ambientais, sociais e de governança corporativa tanto na empresa, quanto nos fundos geridos pela Claritas. Visando proteger seus clientes no processo de investimento, a Claritas realiza um controle e avaliação das empresas nas quais os fundos investem. É neste contexto que a Claritas busca aderir aos princípios do Programa de *Stewardship* e adotar procedimentos cada vez mais robustos e buscar melhorias dos procedimentos já adotados até o momento em busca de evolução e aprimoramento.

Aderindo ao Programa de *Stewardship*, a Claritas busca, dentre outros objetivos:

- i) Aprimorar os mecanismos de administração de conflitos de interesses
- ii) Considerar aspectos ASG nos seus processos de investimento e atividades de *stewardship*;
- iii) Monitorar os emissores de valores mobiliários investidos;
- iv) Ser ativos e diligentes no exercício dos seus direitos de voto;



- v) Definir critérios de engajamento;
- vi) Dar transparência às suas atividades de *stewardship*; e
- vii) Estabelecer parâmetros claros e objetivos de evolução nas atividades de *stewardship*.

## Relatório

O presente relatório visa demonstrar as implementações e aprimoramentos das diretrizes, dos princípios, deveres e responsabilidades do Programa de *Stewardship*, aderido pela Claritas. O Programa de *Stewardship* é um conjunto de princípios e orientações sobre a melhor forma de atender ao dever fiduciário dos participantes do mercado de capitais, principalmente dos investidores institucionais. Este dever fiduciário inclui atuar de forma responsável e tem como objetivo promover padrões de engajamento responsável, políticas e procedimentos de boas práticas de governança corporativa.

## Administração de Conflito de Interesses

A Claritas tem um robusto Manual de Compliance, onde integram o Código de Ética e Conduta Corporativa da empresa, a Política de Segurança e Sigilo das Informações, Política de Brindes, Presentes, Premiações e Entretenimento, dentre outras. O Manual e as Políticas são aplicados a todos os empregados, estagiários e Diretores da Claritas.

Em conformidade com suas diretrizes, a Claritas espera que todos os seus Colaboradores:

1. Atuem com integridade, competência, dignidade e de uma maneira ética quando negociem com o público, clientes, possíveis clientes e outros Colaboradores;
2. Adotem os mais altos padrões de respeito para qualquer possível conflito de interesses com os clientes. Ou seja, nenhum Colaborador deve desfrutar de um benefício em detrimento de outro cliente.
3. Preservem o sigilo de informações que possam ter sido obtidas no curso do negócio e usem tal informação adequadamente e não de uma forma adversa aos interesses dos nossos clientes, a menos que seja obrigado a agir de forma

- diferente de acordo com a lei aplicável;
4. Conduzam suas finanças pessoais de forma prudente, evitando qualquer ação que possa comprometer sua habilidade de lidar objetivamente com os clientes;
  5. Cumpram fielmente o regulamento do fundo ou o contrato previamente firmado por escrito com o cliente.

Todos os colaboradores deverão pautar suas condutas em conformidade com os valores da boa-fé, lealdade, transparência, diligência e veracidade, evitando quaisquer práticas que possam ferir a relação fiduciária mantida com os investidores.

## Segurança e Sigilo das Informações

A Claritas formalizou a Política de Segurança e Sigilo das Informações, onde constam processos e procedimentos adotados pela empresa para garantir o controle de informações confidenciais, reservadas ou privilegiadas, a Política de Gestão de Acesso aplicada aos colaboradores, a Política de Software, Política de Uso de Mensagem Eletrônica, dentre outras.

Os arquivos digitais da Claritas são restritos a cada área, de forma que quando um colaborador é admitido ou transferido para uma área na qual não possui acesso aos arquivos, o gestor responsável e a área de *Compliance* precisam validar a liberação para o colaborador.

Todos os arquivos digitais que possuem algum tipo de cunho confidencial possuem acesso restrito, de forma que o colaborador permitido ao acesso precisa de um login e senha para visualizar o arquivo.

Além disso, os arquivos físicos das áreas de administração de carteiras ficam em local distinto dos outros arquivos e é necessária autorização da área para ter acesso ao arquivo.

Caso algum Colaborador da Claritas vier a ter conhecimento de Informação Material Não Pública (MNPI) por fazer parte de algum comitê ou cargos em esferas de governança ou ainda, ocupar outro cargo que lhe dê acesso às informações privilegiadas, o mesmo deverá informar à área de *Compliance*.

A área de *Compliance* garantirá a barreira, assegurando que tais informações serão mantidas em confidencialidade e não circularão entre setores de negociação e que a pessoa com acesso à informação privilegiada não participará das decisões de

investimentos da Claritas.

Os procedimentos a seguir serão adotados para garantir o *chinese wall*, caso o Colaborador venha a ter acesso a MNPI:

1. Afastamento dos Comitês onde são discutidas tomadas de decisões de investimentos durante o período de restrição de negociação com os emissores detentores da MNPI;
2. Afastamento de reuniões com os gestores e/ou equipes de gestão destinadas à definição de estratégias e ativos para negociação, durante o período de restrição de negociação com os emissores detentores da MNPI; e
3. Caso o Colaborador pertença à área de Gestão, não só as hipóteses acima deverão ser observadas, como o período de restrição se estenderá aos fundos geridos pela empresa.

Caso o Colaborador e/ou diretor tenha alguma dúvida quanto ao conteúdo das reuniões que possa participar e se tal conteúdo pode ser considerado informação privilegiada, a pauta da reunião deverá ser encaminhada à área de *Compliance* para que esta possa garantir que não se trata de MNPI.

Caso o Colaborador e/ou diretor venha a ter acesso às informações não relevantes, ainda que não públicas, isto é, que não haja possibilidade de ganho/vantagem conforme estabelecido na ICVM 358/2002, a área de *Compliance* será responsável por avaliar tais informações.

Além disso, todos os Colaboradores devem assinar documento de confidencialidade sobre as informações confidenciais, reservadas ou privilegiadas que lhes tenham sido confiadas em virtude do exercício de suas atividades profissionais, excetuadas as hipóteses permitidas em lei.

Os Colaboradores da Claritas também estão sujeitos à Política de Conflito de Interesses da Principal Financial Group (PFG). Os Colaboradores devem agir de acordo com os melhores interesses da Claritas e da PFG e abster-se de estar em qualquer posição que possa resultar em um conflito ou em uma aparência de um conflito entre seus interesses pessoais e os interesses das empresas da PFG e da Claritas. Os Colaboradores devem administrar seus interesses pessoais e profissionais a fim de evitar que qualquer favor ou presente possa desencadear em um conflito de interesses ou que o julgamento dos negócios possa ser afetado. Anualmente, Colaboradores com posições específicas completam um formulário, declarando suas

atividades e a ausência de conflito de interesse.

## **Best Execution**

A Claritas adota um processo de gestão de carteira e práticas de negociação que reflete suas obrigações para com os seus clientes e incorpora procedimentos necessários para garantir que os investimentos e as carteiras dos clientes sejam geridos com o máximo de zelo e diligência.

Cada *portfolio manager* ou equipe de gestão é o principal responsável por assegurar que as carteiras de clientes e/ou fundos são administrados de uma maneira coerente com seus objetivos de investimento, políticas, restrições e estratégias. Os processos e ferramentas utilizados para cumprir esta responsabilidade variam, até certo ponto, pelo tipo de carteira. Cada *portfolio manager* ou equipe de gestão de carteira se reporta ao *Chief Investment Officer* (CIO). O CIO supervisiona a gestão de todas as carteiras, preside os Comitês de Investimento e Investimento Sênior da Claritas, e fornece a supervisão para a gestão de carteiras na adesão dos objetivos do investimento, diretrizes e estratégias. O Comitê de Investimento Sênior e o Comitê de Investimento se reúnem para avaliar performance de investimento, compatibilidade, processos de investimento, e adesão às diretrizes de investimento.

A Claritas considera uma série de fatores qualitativos e quantitativos na colocação de ordens de compra e venda de valores mobiliários e na seleção de corretoras adequadas, o que inclui, mas não limita a: capacidade de execução, razoabilidade na taxa de *trading errors*, especialização em valores mobiliários específicos, qualidade de crédito, o valor da equipe de *research* e serviços fornecidos, suporte de *Back Office* e capacidade de resposta. A Claritas avalia a qualidade e o custo de serviços recebidos das corretoras/terceiros:

1. Informal: revisões do período pelos gestores
2. Avaliações periódicas do corretor/contraparte
3. Reuniões periódicas da avaliação da corretagem

## Processo de supervisão das corretoras

A Claritas possui uma Política de Contratação de Corretoras e avalia periodicamente as corretoras contratadas pelos fundos sob sua gestão. Para tanto, realiza avaliações formais periódicas que recolhem informações de todo o *staff* da Claritas que opera junto à corretora, onde são avaliados: a) reputação e credibilidade; b) qualidade de *research* e eventos; c) agilidade e eficiência operacional; d) política de rebate; e envia: a) Questionário de Due Diligence; e b) Questionário de Segurança Cibernética para ser preenchido e enviado pelas corretoras contratadas.

Além disso, também realiza as consultas junto aos sites dos reguladores e autorreguladores, pesquisa processos administrativos e judiciais e realiza consultas em sites públicos.

Após o envio das informações e das consultas realizadas, as áreas de Risco e Compliance analisam os documentos e, caso necessário, solicitam documentos adicionais. Analisam, ainda, as avaliações enviadas pelo *staff* da Claritas e, com base em todas as informações enviadas, as áreas de Risco e Compliance preenchem a planilha baseada na Supervisão Baseada em Risco adotada pela Claritas.

Após as áreas de Risco e Compliance analisarem as informações e preencherem a planilha, tais áreas sugerem ao Comitê de Risco e *Compliance* uma lista de corretoras e a respectiva justificativa para a lista sugerida. O Comitê de Risco e Compliance pode aprovar, rejeitar ou alterar a lista de corretoras, sendo que tais motivações serão discutidas durante o Comitê e deverão ser aprovadas pelos membros.

## Rateio e Divisão de Ordens

A Claritas possui a Política de Rateio e Divisão de Ordens, onde apresenta os princípios e metodologias utilizadas nas divisões de ordem para alocações nos fundos da Claritas. Visando buscar os melhores interesses dos cotistas, a alocação é feita pelo preço médio de execução, levando em consideração a estratégia, o patrimônio líquido, limite de risco e política de investimento dos fundos. Para operações resultantes de novas aplicações, resgates e enquadramentos dos fundos, podemos ter eventualmente preços diferentes. Para garantir que a alocação feita pelos veículos de investimento geridos pela Claritas estão sendo feita pelo preço médio de execução, as áreas de Compliance e Risco realizam testes trimestrais (*forensic tests*)



para analisar os trades de um determinado período selecionado.

## Canal de Comunicação

Visando manter a independência e a prevenção de conflitos de interesses, a Claritas possui um canal de comunicação confidencial e anônimo, onde qualquer pessoa está autorizada a entrar em contato para submeter questões referentes a esses assuntos, que pode ser acessado pelo link: <http://www.claritas.com.br/canal-de-denuncias/>. Ou ainda pode utilizar o canal de denúncias disponível no link: <https://app.compliaset.com/claritasinvestimentos>

Existe também o canal de denúncia da Principal onde é possível comunicar qualquer fato que possa vir estar em desacordo com o manual sem se identificar. Tal canal pode ser acessado através do link: <https://pfgethicshelpline.tnwreports.com/?lang=en-US>

## Considerações de Aspectos ASG

### Política e Procedimentos de Responsabilidade Socioambiental

A Claritas possui formalizada sua Política de Responsabilidade Socioambiental, que visa estabelecer diretrizes, princípios e procedimentos para as práticas socioambientais da Claritas em seus negócios com o fim de mensurar e mitigar riscos socioambientais e potenciais impactos negativos provenientes desses riscos. O objetivo da política é formalizar os processos e procedimentos adotados pela empresa, de maneira a proteger não somente a empresa, mas também seus parceiros, contrapartes e clientes, frente a potenciais riscos socioambientais.

Importante mencionar que a Claritas, além de signatária do Código de *Stewardship* da AMEC, também é signatária do *Principles for Responsible Investment* (PRI). O PRI é um conjunto de diretrizes que objetiva incorporar questões sociais, ambientais e de governança corporativa nos processos decisórios de investimentos.

## Fatores e Riscos ASG

Os fatores ASG incluem os aspectos ambientais, sociais e de governança corporativa:

- Fatores Ambientais: abrangem mudanças climáticas, otimização de recursos e preservação dos ecossistemas. Os riscos ambientais são avaliados buscando evitar perdas decorrentes de danos ambientais, ameaça de cassação de licença, entre outros fatores.
- Fatores Sociais: inclui âmbito de trabalho (diversidade, igualdade, inclusão, formação e desenvolvimento profissional, remuneração compatível, emprego, entre outros), segurança e saúde, responsabilidade com os clientes (marketing responsável, canais de acompanhamento, tecnologia, etc.), acompanhamento e monitoramento de fornecedores e subcontratados, dentre outros.
- Fatores de Governança Corporativa: ética, integridade e princípios, o que abrange direitos dos acionistas, órgãos de governança, transparência, liderança, manuais e políticas, entre outros. Os riscos são ponderados avaliando a tomada de decisões pelas companhias, verificação de notícias públicas, etc.

<b>Ambiental</b>	Uso de recursos naturais	Emissão de carbono	Eficiência energética	Poluição	Tecnologia limpa
<b>Social</b>	Políticas e relações de trabalho	Política de inclusão e diversidade	Treinamento da força de trabalho	Direitos humanos	Privacidade e segurança de dados
<b>Governança</b>	Independência do conselho	Diversidade na composição do conselho de administração	Remuneração do conselho de administração	Ética	Transparência

Fonte: Guia ASG ANBIMA 2020

## Aspectos ASG no Processo de Investimento

Em linha com o Guia ANBIMA de Incorporação dos aspectos ASG nas análises de investimento, a Claritas adota diferentes formas de incorporar tais aspectos em suas análises, a depender do fundo e da estratégia de investimento:

## Ações:

A equipe de ações da Claritas acredita que a combinação de uma profunda análise *top down* alinhada com uma escolha de ativos fundamentalista produza alpha estável e significativo a médio e longo prazo. Os ativos de qualidade para compor a carteira devem apresentar (i) fundamentos sustentáveis, (ii) *valuation* atrativo e (iii) triggers que podem materializar o valor intrínseco. Durante o processo de seleção, a equipe realiza um processo de análise completo e profundo das empresas cobertas que engloba visitas/contato regular com management, competidores, clientes e fornecedores.

Dentre os fundamentos sustentáveis analisados, estão: qualidade do management; alinhamento de interesses; governança corporativa; crescimento da indústria; fragmentação da indústria; ambiente competitivo; e perfil regulatório.

Importante mencionar que, em 2020, a Claritas optou por contar com o auxílio do *MSCI ESG Data* para melhorar a eficiência do seu processo de adoção de fatores ASG no processo de investimento dos fundos.

Os relatórios e informações disponibilizadas pelo *MSCI ESG Data* permite ao gestor avaliar a integração dos fatores ASG nas empresas investidas. Dentre tais dados, é possível verificar, conforme mencionado no próprio site do prestador ([www.msci.com/esg/reporting-services](http://www.msci.com/esg/reporting-services)):

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

## **Filtro Negativo**

A Claritas faz gestão de um mandato exclusivo que utiliza a estratégia de filtro negativo para a análise de seus ativos. Dentre os setores que estão excluídos desta carteira, estão os setores de tabagismo, alcóolicos, bélicos, casinos e jogos.



## **Engajamento Corporativo**

O engajamento corporativo tem como base a utilização da participação acionária dos investidores para influenciar a estratégia da empresa na adoção de políticas ASG.

A Claritas busca, através de uma estratégia de ativismo amigável, agregar ou destravar valor para os acionistas. Tem o foco de contribuir em comunicação com o mercado, planejamento financeiro, controles e estratégia, evitando quaisquer situações de conflito ou interferir em demasia na gestão da empresa. Desta forma, o ativismo amigável não interfere na disciplina de desinvestimento.

## **Renda Fixa:**

A Claritas formalizou sua Política de Aquisição e Monitoramento de Crédito Privado, onde formaliza as regras e procedimentos para a gestão da qualidade dos créditos.

Dentre os procedimentos mencionados na Política, a análise de crédito dos ativos que integram ou venham a integrar a carteira dos fundos geridos pela Claritas é feita pela equipe de Produtos Estruturados, sendo que a decisão pela aquisição de ativos e o estabelecimento de limites para as contrapartes tomada pelo Comitê de Crédito da Claritas. A Claritas possui um rígido processo de análise de crédito, visando avaliar a capacidade de pagamento de cada contraparte. Para tal, são analisadas a indústria na qual o emissor está inserido e suas vantagens comparativas, sendo que o processo de análise se fundamenta nos 6C's do crédito, descritos abaixo:

- i. **Caráter:** são informações referentes à índole, idoneidade e reputação do cliente. Dado que esta avaliação é muito subjetiva, é possível determiná-la analisando a intenção do devedor em honrar suas obrigações financeiras com base no seu histórico de pontualidade no pagamento de obrigações;
- ii. **Capacidade:** este “C” deve fornecer informações que possibilitem avaliar se as receitas e despesas permitem o cumprimento das obrigações a serem assumidas. Este critério é baseado em aspectos como dinâmica do fluxo de caixa, estratégia empresarial, estrutura organizacional, desempenho operacional, histórico dos dirigentes e indicadores de liquidez e endividamento;
- iii. **Capital:** informações referentes à estrutura de capital, endividamento, liquidez, lucratividade e outros índices financeiros obtidos por meio dos

- demonstrativos financeiros do Emissor;
- iv. Colateral: é a capacidade da empresa Emissora ou dos sócios em oferecer garantias complementares para uma determinada operação de crédito;
- v. Condições: refere-se à capacidade do Emissor de se adaptar a situações conjunturais, ter agilidade e flexibilidade de adaptar-se e criar mecanismos de defesa;
- vi. Conglomerado: são informações da situação de outras empresas situadas num mesmo grupo econômico e como poderão afetar a empresa em estudo.

Adicionalmente, a aquisição de ativos só é realizada após a equipe de Produtos Alternativos ter tido acesso a todas as informações necessárias para a devida análise de risco de crédito para compra e acompanhamento do ativo. Sendo que questionamentos adicionais do Comitê podem gerar necessidade de documentos adicionais, que serão solicitados ao Emissor ou Coordenadores da Emissão (conforme o caso) pela área de Alternativos, e serão repassados para todos os membros do Comitê.

A equipe de Produtos Alternativos, em conjunto com o Comitê de Crédito, verifica minuciosamente cada fator ASG do emissor, que pode afetar o preço do ativo que esteja sob análise, antes de qualquer proposta de compra. Alguns desses fatores são:

1. Setor do Emissor;
2. Composição acionária e acionistas;
3. Impactos sociais;
4. Sustentabilidade;
5. Padrões de governança corporativa;
6. Transparência.

Uma vez que todas as variáveis tenham sido avaliadas, a equipe de Produtos Alternativos procura aplicar os seus melhores esforços para precificar o ativo no que seria o seu “preço justo” de aquisição, antes de ofertá-lo.

### ***Best-in-class***

O *best-in-class* é um modelo de filtro positivo no qual é feita a avaliação de determinado setor ou projeto e, a partir desta avaliação, é elaborado um ranking. São selecionados critérios ASG que fazem parte da análise dos fatores qualitativos da empresa avaliada.

A Claritas acredita que existe uma forte relação entre a implementação de fatores ASG nas empresas e o crescimento sustentável de longo prazo na mesma, o que resulta em maior credibilidade perante ao mercado e menor risco de crédito.

Além dos fatores ASG, a Claritas analisa ainda os seguintes fatores na Análise de Fatores Qualitativos do setor de Crédito: ambiente regulatório, management (qualidade do time de gestão da empresa, tempo no setor, gestão profissional); acesso a mercado (capacidade de acesso a diferentes fontes de financiamento); volatilidade de resultados (resiliência e constância de resultados/ geração de caixa); setor (ciclicidade do setor e posição da empresa no setor); e liquidez. Com base nesses fatores e em fatores quantitativos, é realizado um rating interno, que permite a avaliação de diferentes empresas com o uso de uma metodologia sistemática, tornando possível a diferenciação entre os emissores e sua contribuição de risco às carteiras.

## Fundos florestais:

A Claritas é co-gestora do fundo Florestas do Brasil FIP Multiestratégia, que possui investimentos que envolvem 35,5 mil ha de plantios de eucaliptos em 58,2 mil ha de imóveis rurais, localizados nos estados da Bahia, Mato Grosso do Sul e Minas Gerais. Além disso, há os fundos alternativos da Claritas com investimentos na Eco Brasil Florestas S.A., que envolve 35 mil ha de plantios de eucaliptos em 115 mil ha de imóveis rurais, localizados no estado do Tocantins. Portanto, temos gestão em 70,5 mil ha de plantios de eucaliptos inseridos em 173 mil ha de imóveis rurais.

A gestão destes fundos, estruturado em 4 empresas florestais, segue uma rigorosa política de Governança Corporativa, compreendendo um conjunto de processos, normas, políticas e regulamentos que determinam o *modus operandis* das atividades de campo e técnico-administrativas, considerando-se as relações com as partes interessadas (administrador, gestor, cotistas, clientes, equipes técnica-administrativa e operacional, fornecedores, comunidades do entorno e órgãos reguladores), proporcionando dirigibilidade técnica, probidade administrativa, transparência, eficiência operacional e performance financeira satisfatória do negócio. O nosso objetivo é garantir a aderência dos princípios envolvidos nas políticas, normas e procedimentos estabelecidos, através de mecanismos que possibilitem que sejam detectados, prevenidos e corrigidos os eventuais desvios, com forte ênfase na

sustentabilidade do negócio e no retorno do investimento (valorizar os ativos florestais e perenizar o negócio).

As boas práticas de governança são consideradas desde a concepção e estruturação do Fundo de Investimentos e Participações (FIP), constando no regulamento as linhas gerais para gestão do mesmo, com as respectivas obrigações e direitos dos principais envolvidos (Administrador; Gestor; Distribuidor; Cotistas; e Equipe Operacional). Ressalta-se que toda a sistemática de estruturação e gestão dos nossos investimentos florestais segue a política, as normas e os princípios estabelecidos pela área de *Compliance* da Claritas. A área de *Compliance* tem autonomia para avaliar todos e quaisquer eventuais conflitos de interesse nos processos de aquisição, formação e gestão dos ativos florestais.

Dentre os controles adotados na gestão dos FIPs, podemos destacar os seguintes que são aplicados nas empresas investidas:

- Auditorias externas – anuais (contabilidade e certificações)
- Reavaliação de ativos – anual
- Processo decisório (alçadas & aprovação) e Código de Conduta (Ética e Postura nas tratativas dos negócios)
- Auditorias internas (controles: Atendimento/Satisfação do Cliente; Qualidade/Conformidade dos Produtos; Procedimentos/Performance Financeira; Qualidade/Conformidade dos Processos (Equipe, Produção e Socio-Ambiental); Gestão/Documentação dos processos; e Estabelecimento/Monitoramento das Metas)
- Relatórios Gerenciais e Executivos - Desempenho Operacional e Econômico-financeiro
- Planejamento da Produção: Plurianual e Tático (Suprimento de Madeira para o Mercado) e Operacional (12 meses - base orçamentária para geração anual das receitas e das despesas operacionais/técnicas/administrativas)

É importante salientar que, além do foco na performance financeira do FIP, que é de extrema importância na gestão dos negócios, também é dispendida atenção especial aos processos que impactam a sustentabilidade e perenidade do negócio. A gestão dos ativos florestais está fundamentada no tripé da sustentabilidade:

economicamente viável, ambientalmente responsável e socialmente justo, razão pela qual todas as empresas investidas dos nossos fundos florestais estão certificadas com o Selo FSC - *Forest Stewardship Council* (Conselho de Manejo Florestal – internacional).

O processo de certificação para obtenção do selo FSC pelas empresas investidas envolve uma rigorosa auditoria por empresas credenciadas pelo FSC Internacional, tendo consultas públicas e envolvimento direto com os principais *stakeholders* (comunidades, fornecedores, clientes) e verificações no ambiente interno, destacando-se:

- colaboradores - cumprimento da legislação trabalhista e condições de trabalho;
- infraestrutura - administrativa e operacional;
- condições de campo - técnicas sustentáveis do manejo silvicultural;
- cumprimento de legislações ambientais (âmbitos Municipais, Estaduais e Federais) - áreas de Reserva Legal e Preservação Permanente nas propriedades rurais, uso de defensivos químicos e outros produtos; e
- condição jurídica dos imóveis rurais - uso do solo.

O FSC constitui-se numa certificação voluntária de manejo florestal que foi desenvolvida internacionalmente, segundo os seguintes princípios: i) Atendimento às leis e aos princípios da certificação; ii) Posse e direito de uso da terra; iii) Direitos de comunidades tradicionais (povos indígenas, quilombolas, etc); iv) Relação comunitária e direito dos trabalhadores; v) Benefícios da floresta; vi) Impacto ambiental; vii) Plano de manejo; viii) Monitoramento e avaliação; ix) Floresta de alto valor para a conservação; e x) Plantações florestais.

Esta certificação apresenta duas categorias principais, que são caracterizadas pelo plano de manejo florestal e cadeia de custódia (abrange da produção ao destino dos produtos produzidos). Um ponto importante é que os princípios e critérios associados a obtenção do selo compreendem aspectos intrínsecos às categorias de Qualidade, Meio Ambiente, Saúde e Segurança Ocupacional, Sociais (público interno - colaboradores e fornecedores; e externo - comunidades no entorno do empreendimento), Uso Legal da Terra, dentre outros.

Outro ponto relevante nos investimentos florestais refere-se a estocagem de



carbono, que envolve o “seqüestro de carbono”, um processo de remoção de gás carbônico da atmosfera. As florestas oferecem grande potencial, em curto prazo, para remoção de CO<sup>2</sup> da atmosfera. Ao contrário de plantas de ciclo de vida curto que morrem e se decompõem rapidamente, as árvores são indivíduos de ciclo de vida longo que acumulam carbono em sua biomassa, contribuindo de forma positiva para a agenda mundial do clima, contribuindo de forma efetiva para as ações para redução do processo de aquecimento global, onde o aumento da concentração do CO<sup>2</sup> na atmosfera é uma das principais causas do problema.

## Análise de Riscos

Com o fim de gerenciar os riscos ASG, os gestores da Claritas têm a obrigação de buscar a melhor execução para todas as transações de valores mobiliários executadas em nome dos clientes.

É política da Claritas buscar a melhor estratégia para as carteiras e fundos geridos e, para tanto, considera uma série de fatores qualitativos e quantitativos, dentre eles, os fatores ASG.

A Claritas, como signatária do PRI e aderente ao Código AMEC, leva em consideração no processo de avaliação de ativos os condicionantes socioambientais, podendo em alguns casos levar a vedação de algum ativo.

Conforme mencionado anteriormente, o processo de análise de ações é dividido em 3 partes: (i) aspectos qualitativos; (ii) *valuation* e (iii) catalizadores. Dentre os aspectos qualitativos, a parte socioambiental é avaliada.

As questões ASG são avaliadas qualitativamente durante o processo de análise das empresas, através da leitura de documentos oficiais como relatório de referência, contato com a administração e coleta de informação junto a demais participantes do mercado da empresa, como fornecedores e competidores. Após essa análise qualitativa, isso pode refletir em uma maior taxa de desconto ou a explicitação de um potencial passivo a ser descontado do *valuation* da empresa.

Os riscos e oportunidades relacionados aos aspectos socioambientais, a exemplo do que foi acima mencionado, são inicialmente tratados de maneira qualitativa, podendo posteriormente traduzir-se em uma maior taxa de desconto ou explicitação de passivo a ser descontado do *valuation* da empresa e em casos extremos vedação

ao investimento. O analista responsável pela empresa tem a responsabilidade de transmitir ao Comitê de Investimentos os riscos e oportunidades relacionadas durante o início de cobertura e nas atualizações periódicas.

Para as operações que envolvem risco de crédito das contrapartes, as análises são feitas pela equipe responsável e apreciadas pelo Comitê de Crédito. Tais análises levam em conta os aspectos mencionados, como setor do emissor, transparência, impactos sociais, padrões de governança corporativa, dentre outros.

### **Know Your Partner**

Com o objetivo de mitigar e administrar o risco de prestadores de serviço/fornecedores, periodicamente, as áreas de Risco e *Compliance* efetuam um processo de *due diligence* nos prestadores de serviço/fornecedores relevantes para a atividade da Claritas. A falha por parte dos prestadores de serviços por não executarem suas obrigações não só pode sujeitar a Claritas a uma possível responsabilidade, mas também sujeitar os clientes a riscos desnecessários associados com a realização inadequada ou falha dos serviços contratados.

Para este processo de *due diligence*, os Colaboradores que negociam diretamente com os prestadores de serviços estão geralmente numa melhor posição para avaliar os serviços recebidos. Os Colaboradores em diversos níveis (funcionários, supervisores, gestores) devem fornecer *feedback* relacionado a seus contatos com os prestadores de serviços e qualquer preocupação que possa resultar. O nível de performance da prestação de serviço ou fornecimento da mercadoria deve ser avaliado pela área responsável e encaminhado às áreas de risco e jurídico/compliance.

A Claritas realiza um processo de *Due Diligence* com as prestadoras de serviços relevantes para avaliar a reputação, as qualificações da empresa e se está em cumprimento com a Lei Anticorrupção. Além disso, são enviados diferentes tipos de questionário, considerando o tipo de serviço/produto prestado ou fornecido e o tipo de informação mantida pelo prestador de serviço/fornecedor.

Quando necessário, o Colaborador responsável por gerenciar o relacionamento deve acompanhar quaisquer questões relacionadas com o prestador de serviço. Se um Colaborador tiver alguma razão para acreditar que o prestador de serviço não está

cumprindo os termos do acordo, o Colaborador deve reportar o assunto à área de *Compliance* e/ou seu gestor, que, por sua vez, deve determinar se o problema é material e se deve ser encaminhado à Diretoria.

## Iniciativas e Projetos

Além dos procedimentos acima expostos, a Claritas participa de iniciativas e projetos para fomentar o desenvolvimento socioambiental, como:

- Reciclagem: conscientização e recipientes específicos para reciclagem de garrafas plásticas.
- Reutilização de papéis de descarte para rascunhos e anotações;
- Incentivo para reutilização das garrafas de água e garrafas não descartáveis;
- Redução do volume de impressões: Incentivo para uso consciente de papéis;
- Utilização de lâmpadas econômicas;
- Instalação predial: a companhia preocupou-se com as questões de sustentabilidade na escolha de sua sede, optando por um prédio com selo de sustentabilidade;

São características do prédio:

- Otimização da iluminação externa para as áreas internas;
- Água de reuso;
- Vestiários e bicicletário para fomentar utilização de bicicletas aos funcionários;

## Claritas Solidária

Claritas Solidária é um programa de voluntariado da Claritas criado em 2016, em parceria com a Junior Achievement São Paulo, onde colaboradores da Claritas participam do projeto ministrando aulas de educação financeira e sobre o mundo dos negócios para alunos de escolas públicas do ensino médio e fundamental.

Em 2019, a Claritas juntamente com a Junior Achievement, lançou o aplicativo de jogo “Meu Dinheiro Meu Negócio” para aumentar ainda mais a participação dos jovens na sala de aula e terem a oportunidade de continuar o aprendizado fora dela.



Quase dois mil alunos já participaram das aulas ministradas pelos colaboradores e parceiros que se voluntariaram para essa causa tão significativa para a vida de todos.

O game “Meu Dinheiro Meu Negócio” está disponível na Apple store e no Google play.

Durante 2020, mesmo com a pandemia, a Claritas continuou no desenvolvimento deste projeto e ministrou aulas de forma remota. Para saber mais sobre o programa e ouvir a opinião de alunos que participaram do projeto, visite: <https://www.claritas.com.br/claritas-solidaria/>.

## Monitoramento dos emissores de valores mobiliários investidos

A interação entre a Claritas e os emissores de valores mobiliários é feita pelas áreas de gestão, que definem os objetivos e questões-chave, como estratégia, remuneração, riscos, sucesso, etc. e avaliam/monitoram ativamente os emissores. A estratégia de investimento é feita com base na análise e interação dos emissores, buscando medidas cabíveis em relação a essas questões-chave.

Para monitorar e, quando aplicável, participar ativamente das decisões das companhias investidas, a Claritas participa, ainda, em nome dos fundos das assembleias dessas companhias.

## Política e Procedimentos no Exercício dos Direitos de Voto

A Claritas revisou sua Política de Voto, visando atualizar as exigências e princípios que guiarão a Claritas no exercício de direito de votos em assembleias gerais do fundo de investimento que ela representa.

A Política limita-se estritamente à atuação, como gestora, da Claritas, não se estendendo às “empresas” (Fundos) sob controle direto ou indireto de terceiros, que também exerçam a atividade de gestão de carteira de fundo de investimento.

A Claritas executa o direito de voto nas assembleias gerais representando os fundos de investimento sob sua gestão, baseada nos interesses dos fundos e dos cotistas com o cuidado e a diligência exigida pelas circunstâncias.

Portanto, a Claritas vota a favor das resoluções que darão valor aos ativos que compõem a carteira do fundo, buscando considerar os riscos e retornos dos ativos.

Para controle das assembleias e votos, a Claritas possui procedimentos, que incluem o uso de planilha interna detalhada com os fundos que votaram nas assembleias, as justificativas nos casos em que a gestora não tenha votado, o uso do Boletim de Voto à Distância e maior interação com o custodiante dos fundos geridos pela Claritas para maior eficiência e eficácia na representação.

Em 2020, a Claritas participou de cerca de 50 assembleias (entre ordinárias e extraordinárias), sendo a maioria por Boletim de Voto à Distância (BVD), mas também contou com outros meios, como a participação virtual e mediante procuração. Nossa participação em assembleias vem tendo um aumento cada vez mais significativo.

Até maio de 2021, a Claritas representou seus fundos nas assembleias de mais de 70 empresas. A maior parte da representação foi feita por meio de BVD. Vale ressaltar que até maio de 2021, a Claritas submeteu mais de um mil BVD, representando um aumento de mais de 300% de BVD enviados em relação ao ano anterior.

## Procedimentos relacionados ao Conflito de Interesses

A atuação da Claritas pauta-se pela transparência com os clientes, ética e lealdade e respeitando a segregação de atividades imposta pela legislação vigente.

Caso seja verificado potencial conflito de interesses, a Claritas deixará de exercer o direito de voto e manterá sua justificativa para tanto à disposição de qualquer cotista que a solicitar. Em caráter excepcional, a Claritas poderá exercer direito de voto em situação de potencial conflito de interesse, desde que informe aos cotistas o teor e a justificativa sumária do voto a ser proferido.

## Processo de Tomada de Decisão

Ao tomar conhecimento da convocação da assembleia e da respectiva Ordem do Dia, a equipe de Gestão deve definir o voto que entender melhor refletir a presente Política de Voto, avaliando a existência de potencial conflito de interesse.

É responsável pelo controle e execução desta Política de Voto o Diretor responsável pela Gestão de Fundos de Investimento da Claritas, bem como pela coordenação do procedimento de tomada de decisão, registro e formalização do exercício de direito

de voto, em nome dos fundos de investimento sob gestão da Claritas.

A Claritas, durante todo o ano, acompanhou todas as pautas das assembleias gerais das empresas investidas, avaliou a relevância da participação e dos temas a serem discutidos e/ou votados nas assembleias e, a seu exclusivo critério, compareceu às assembleias gerais por voto à distância ou presencialmente.

## Disponibilidade da Política de Voto

A política de voto da Claritas está disponível no site [www.claritas.com.br](http://www.claritas.com.br). Os investidores podem obter também o resumo dos votos feitos pela Claritas na assembleia através do site [www.claritas.com.br/justificativa-de-voto/](http://www.claritas.com.br/justificativa-de-voto/)

## Engajamento e Transparência

A Claritas mantém uma estrutura de governança corporativa para promover o tratamento adequado das questões socioambientais e propor melhorias. Para tanto, os assuntos relativos aos fundos geridos pela Claritas são abordados no Comitê de Investimentos Sênior.

O presente relatório faz parte do processo de avaliação, monitoramento de metodologia e evolução nas atividades de *stewardship* da Claritas e visa dar transparência às atividades realizadas em relação ao Código AMEC. Anualmente, o relatório será revisto e circulado internamente, além de ser divulgado no site da AMEC: <https://www.amecbrasil.org.br/stewardship/signatarios/>

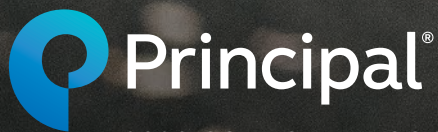
A Claritas continua buscando aprimorar seus processos e procedimentos em busca de promover melhorias na adoção aos princípios de *Stewardship*.

As informações contidas neste documento não devem ser divulgadas a terceiros sem o prévio e expresso consentimento da Claritas. As políticas descritas neste documento são destinadas aos Colaboradores da Claritas e compõe as diretrizes a serem seguidas pelos mesmos. O uso para qualquer outra finalidade bem como a reprodução das mesmas, parcial ou integralmente, sem a devida autorização da Claritas é expressamente proibida.



## Anexo I





2020 CORPORATE SOCIAL  
RESPONSIBILITY REPORT

Creating  
opportunity  
for future  
generations



A young woman with dark curly hair, wearing a grey t-shirt and a blue apron with a striped strap, is smiling warmly. She is standing in what appears to be a cafe or a similar indoor setting with plants and warm lighting in the background.

# Our purpose

*At Principal<sup>®</sup>, we strive to make financial security more accessible to more people.*

Over the last 140 years, we've learned that people live their best lives when they feel secure. Everything we do is built around this understanding. Principal works to meet people where they are on their financial journey, understanding their progress, possibilities, and hurdles—then providing a choice to a clearer path forward.

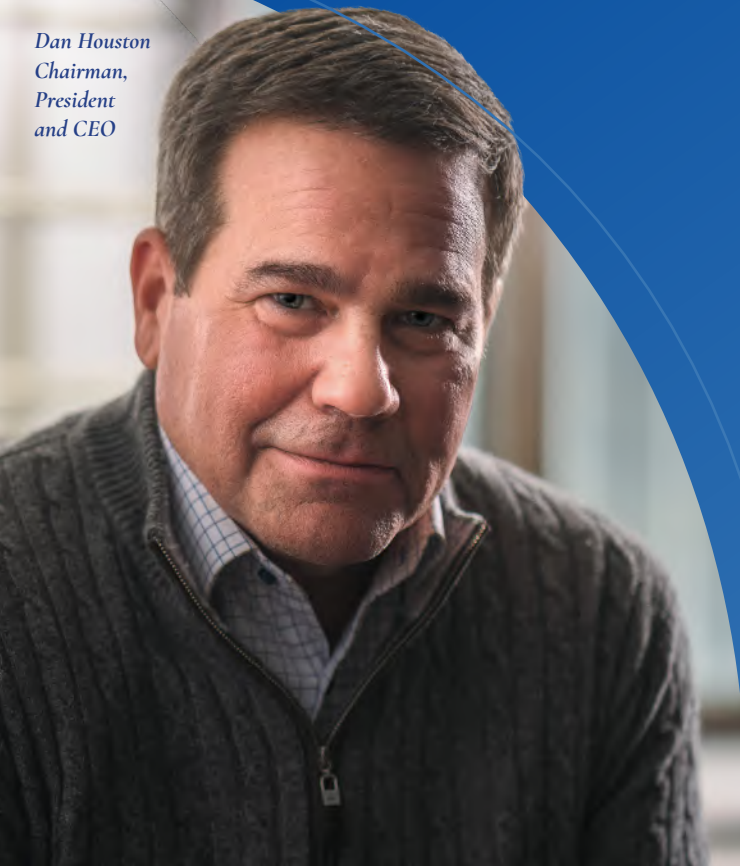
*We want more people around the world to share in this confidence.*

We're committed to expanding the population of those living in financial security, doing so through long-term, responsible actions, and creating new opportunities for generations to come.

This report details our approach to sustainability, highlighting accomplishments in 2020 and ongoing efforts for the future.

# Letter from our CEO

Dan Houston  
Chairman,  
President  
and CEO



In so many ways, 2020 was about staying connected to what matters.

Principal was founded with the purpose of putting financial security within reach of more people. We've grown a lot since 1879, evolving from a mutual insurance company to a global financial services provider, helping customers through great challenges along the way—recessions, wars, natural disasters, trade tensions, and more than one pandemic.

*Through it all, we've stayed true to a core belief in doing the right thing for our customers, communities and the planet.*

Today, this stakeholder-focused approach is increasingly in demand among customers and investors. And we're well ahead of the curve. Over time, we've continually built a more clear and specific understanding of what we've intuitively known for years—that doing good is good for business.

#### STAYING FOCUSED

As 2020 brought twists and turns that transformed every aspect of our personal and professional lives, we kept our focus on meeting the short- and long-term needs of our stakeholders.

Our employees helped millions of individuals, businesses, and institutions navigate the complexities of a global pandemic, social unrest, political division,

and a volatile financial market. All the while, we renewed our longstanding commitments to environmental sustainability, financial inclusion, and building a more diverse and representative workforce.

Our successes in each of these areas bear testament to our prior investments in technology, people, and processes.

#### OVERSIGHT AND BENCHMARKS

Our Environmental, Social, and Governance (ESG) efforts are multifaceted, guided by an overarching strategy that's derived from company-wide contributions. Our ESG Task Force, comprised of leaders from across the business, meets monthly to chart the course and ensure alignment with internal goals and third-party standards, including those of the United Nations Global Compact, which we joined at the Participant level in January 2021. We also take inspiration and guidance from forward-thinking business groups including the Business Roundtable and CEO Action for Diversity & Inclusion, which affirm the increasing importance of ESG efforts today and for future generations.

We'll talk about our progress in each of the above areas in this report. I'll also share a series of public commitments that guide our future work. After you've read the report, I encourage you to delve into the accompanying [website](#), which includes expanded resources for public transparency and accountability.

Thank you for reading. We look forward to achieving even more together in years to come.

# 2020 CSR highlights

Our ESG strategy is governed by an executive task force reporting to the Nominating and Governance Committee of the Board.

## ESG PROGRESS



### ENVIRONMENT

Create sustainable pathways through long-term responsible actions

**48%**

Decrease in greenhouse gas emissions over the last 10 years

**A-**

Climate change leader rating from the Carbon Disclosure Project (CDP) for the 8th consecutive year

**4-star**

Rating Principal Real Estate Investors received from GRESB, the global benchmark for real estate for the 5th consecutive year



### SOCIAL

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

**\$25 million**

In combined funding from Principal and the Principal Foundation for COVID-19 relief for individuals and businesses

**83%**

Employee engagement due to increased transparency, communication and responsiveness during COVID

**81%**

Inclusion Index score - measuring employee engagement, inclusive workplace environment and diversity throughout our talent pipeline



### GOVERNANCE

Be a good steward of the resources entrusted to us

**55%**

Of independent members of our Board are women and minorities

**Global partner**

Newly accepted participant leader in the UN Global Compact\*

**A+**

Rating in Strategy and Governance Module by United Nations Principles for Responsible Investment

Information within this report is related to Principal Financial Group® unless noted otherwise. The Principal Financial Group Foundation, Inc. (the "Principal® Foundation") is a distinct, not-for-profit undertaking separate from the Principal Financial Group, Inc. ("Principal").

\*Participant as of 1/1/2021



# COVID-19 care and response



## EMPLOYEES

- 92% of employees working remotely; currently operating in Stage One of our return-to-worksite plan at our global headquarters; additional offices slowly reopen as conditions warrant
- More than 90% of employees reporting we continue to work effectively as an organization during the pandemic
- Productivity and customer service levels remain high
- Holding frequent employee and leader meetings to directly answer questions, conducting regular pulse surveys to gauge sentiment
- Extended temporary pay policy to ensure employees continue to be paid if they miss work due to COVID-19 through August 30, 2020
- Announced select temporary compensation reductions and voluntary part-time program to help manage the economic consequences and market uncertainty of COVID-19
- Supported 1,105 applicants globally through Principal Foundation Global Relief Fund, offering hardship grants for employees of Principal, majority-owned member companies, and United States service staff providers. 75% of grants offered in international locations



## CUSTOMERS

- Continued to operate through crisis conditions in more than 80 nations and territories
- Combined efforts of Principal and the Principal® Foundation to support customers, businesses, and communities financially impacted by COVID-19 expected to total more than \$25 million
- 53% of all retirement plan sponsors responding to CARES Act, with 94% adopting all three provisions—adding special COVID-19 related distributions, required minimum distribution (RMD) waiver for 2020, and implementing increased plan loan limits and payment delays
- Extended grace periods for premium payments to help Principal insurance policyholders—individuals and employers—prevent a lapse in coverage. Temporarily halted rate increases for employers who hold group benefits coverage
- Increasing resources on Principal.com and our advisor website to help educate customers with a focus on helping business owners navigate financial challenges and discussing recent legislative relief measures
- Further enhancing our virtual meeting capabilities and features for sales teams to help support customers and financial professionals
- Reaching customers across paid, owned, and earned media channels with educational content, resulting in record public relations (14%) and social media share of voice (4.2%)



## COMMUNITIES

- Donated 180,176 meals in 2020 from Principal and the Principal® Foundation
- Collaborated with Pymeday.cl in Chile, sponsoring a three-day event supporting 1,200+ small to medium-sized businesses (a collective digital platform and national marketing efforts that produced more than \$3.6+ million in sales for participating businesses, and significantly increased sales to help alleviate the financial threat incurred due to COVID-19, producing 1,500,000+ page users, and sales nearly 34% above all other previous month's sales, in just three business days)
- Despite COVID-19 cancellation, the Principal Charity Classic sustained support from thousands of fans, sponsors, volunteers, and charity partners to top last year's fundraising record by more than \$1 million, raising more than \$6.7 million for kids (raised more than \$30 million since Principal signed on as title sponsor in 2007)

# Contents

<b>Commitment to CSR</b>	<b>7</b>
<b>Our business</b>	<b>8</b>
<b>ESG strategy</b>	<b>10</b>
<b>Materiality</b>	<b>11</b>
<b>Employee development</b>	<b>15</b>
<b>Environment</b>	<b>27</b>
<b>Governance, ethics, &amp; risk</b>	<b>32</b>
<b>Responsible investing</b>	<b>39</b>
<b>Consumer &amp; product impact</b>	<b>51</b>
<b>Financial inclusion</b>	<b>53</b>
<b>Principal® Foundation</b>	<b>57</b>



# Our commitment to corporate social responsibility

As we continue to embed sustainability into our business, we've solidified our strategic pillars and developed public commitments to help measure our progress toward long-term responsible actions.

## ACCESS THE POWER OF OUR PEOPLE

Annually, our goal is to reach an inclusion index score of 80% or above. Our inclusion index measures

- culture of learning and trying new things
- employees being comfortable being themselves
- a supportive environment for sharing ideas
- employees feeling valued and respected

## EMBED SUSTAINABLE PRACTICES

By 2035, we will reduce our U.S. carbon emissions by 40%, and by 2050, we aspire to achieve net-zero carbon emissions.

## ADVANCE INCLUSIVE PRODUCTS AND SERVICES

Over the next 5 years, we will double the number of minority and women-owned small to mid-sized businesses we support through product access, micro-finance, community development, and financial education.

By 2022, implementation planning will be in place to align our responsible investment with 7 UN Sustainable Development Goals\*

- no poverty
- quality education
- affordable and clean energy
- decent work and economic growth
- reduced inequalities
- climate action
- peace, justice, and strong institutions

\*Unless a client specifically mandates otherwise

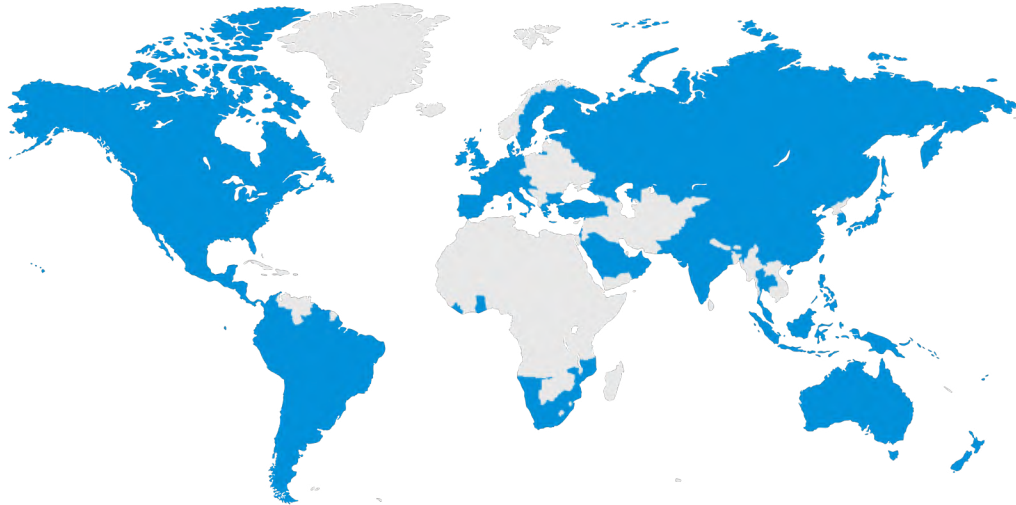


# Our business

*We're a global leader that helps individuals, growing businesses, and institutional clients. Whether it's working to achieve greater security, finding success, or feeling confident about their financial journey, we know how to deliver excellent stakeholder value.*

## WHAT WE DO

Founded in 1879 as a small life insurance company in Des Moines, Iowa (USA), we've become a strong, global leader in retirement and long-term savings while expanding our insurance business. Today, we're a member of the FORTUNE 500®, serving 34.5 million customers in more than 80 nations and territories, represented in blue on the map below.



Our common stock trades on Nasdaq under the ticker symbol PFG. Read more: [2020 Annual Report](#) and [10k](#).



For Principal Life Insurance Company and Principal National Life Insurance Company

## “A+” Superior

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

## “AA-” Very strong

**Fitch\***: Fourth highest of 19 rating levels

## “A1” Good

**Moody’s Investors Service\***: Fifth highest of 21 rating levels

## “A+” Strong

**S&P Global\***: Fifth highest of 20 ratings

\*Third-party ratings relate to the noted companies only and do not reflect any ratings actions or notices relating to the US 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. Information is current as of the creation of this piece. Keep in mind that portfolio holdings are subject to risk. Current as of March 2021.



# Products and services

We offer a broad range of solutions to help individuals, growing businesses, and institutions build, protect, and advance their financial well-being.



## INDIVIDUALS

- Helping you save for retirement, grow your investments, and protect—and enjoy—the life you’ve worked so hard to build
- Life insurance and income protection
- Retirement plans—401(k), 403(b), ESOP, defined benefit, nonqualified deferred compensation
- IRAs—rollover, traditional, Roth
- Annuities—fixed income, indexed, variable
- Estate planning & personal trusts
- Mutual funds



## EMPLOYERS

- Helping you set yourself, your employees, and your business up for success with employee benefits and a range of business owner and executive solutions
- Group insurance—dental, vision, life, accident, critical illness, income protection
- Owner and key employee benefits
- Employee retirement plans—defined contribution, defined benefit, ESOP, nonqualified deferred compensation
- Business planning and protection solutions



## INSTITUTIONS

- Helping you meet your financial goals through specialized investment portfolios, customizable strategies, and long-term savings and pension solutions
- Long-term savings and pension (voluntary and mandatory)
- Group employer-paid and voluntary insurance products
- Investment management—equities, real estate, fixed income, alternatives, and multi-asset



## BUSINESS UNITS

**U.S. Insurance Solutions**  
Making it possible for individuals and employers to grow and protect their assets and to live their best lives.

**Principal Global Asset Management Investors**  
Providing organizations and individuals with diversified investment management solutions for real-life challenges.

**Principal International**  
Supporting customers in select global markets from Latin America to Asia and helping them plan and invest.

**Retirement and Income Solutions**  
Enabling individuals and employers in the U.S. to save enough, protect enough, and have enough.

*Everything we do starts with one thing—helping people.*

# ESG strategy

In 2019, the ESG committee at Principal began an 18-month process to formalize our ESG strategy.

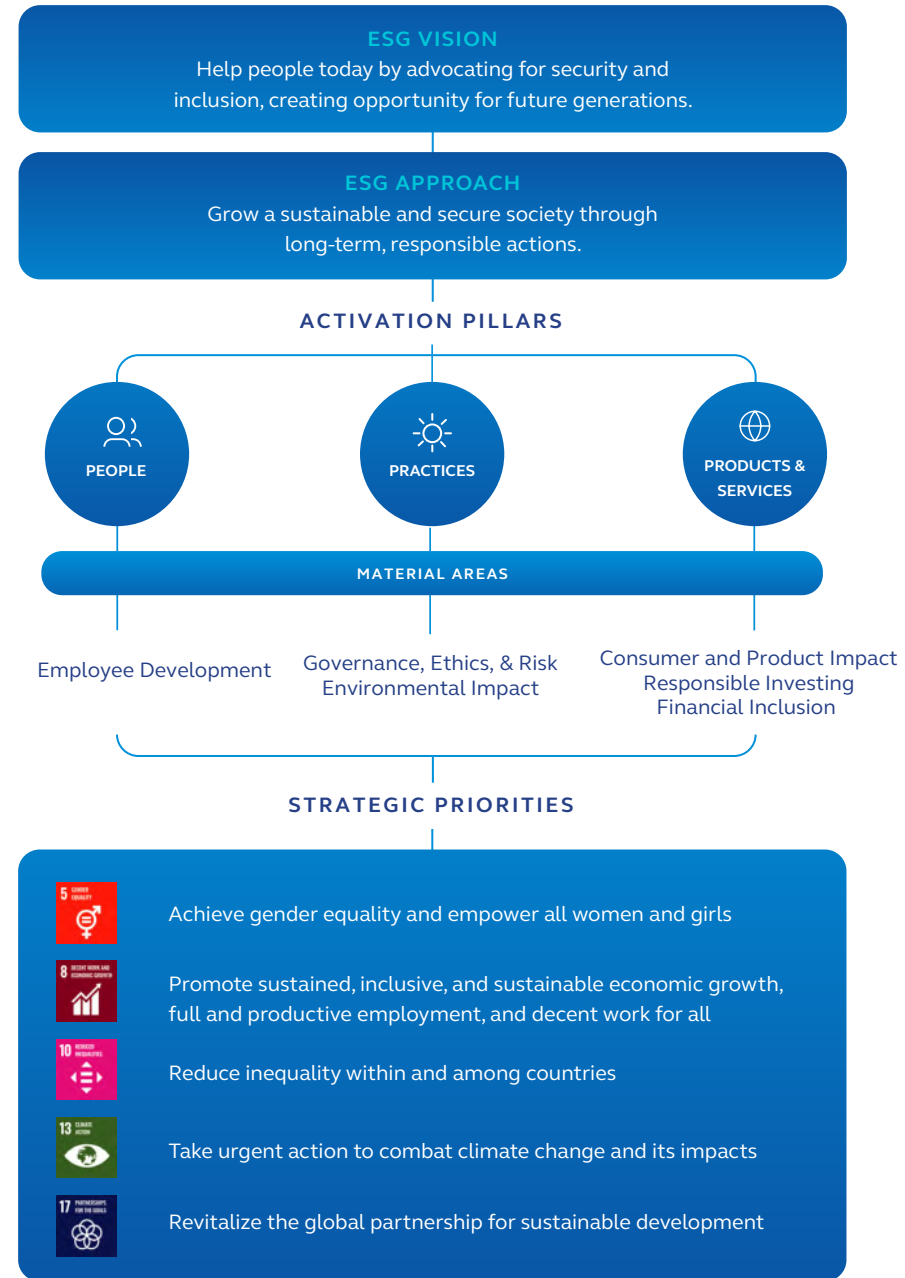
*Our aim is a comprehensive approach to align business decisions, values, and ethics with ESG considerations.*

The committee gathered feedback from clients, institutional customers, employees, and investors to identify material issues and core areas of focus for goal setting and strategy development.

In April 2020, Beth Wood, senior vice president and chief marketing officer, was named chair and re-established the committee as a smaller ESG Executive Task force dedicated to ESG strategy.

In Fall 2020, the ESG Task force and staff focused on our common purpose: to foster a world in which financial security is accessible to all, with continued stakeholder engagement and materiality. It helped inform the needs, goals, and barriers for ESG.

This report includes key highlights from the ESG workstreams in 2020: vision, materiality, and stakeholder engagement. From there, we developed our ESG strategy, positioning, and workstreams in alignment with U.N. Sustainable Development Goals.



STRATEGY

# Materiality methodology



## EVALUATION OF REPORTING LANDSCAPE

Our starting point was the review of all material issues in our previous report alongside developments in industry regulations, trending and emerging industry research, and shareholder resolutions on ESG topics for industry competitors and other companies. We checked these against industry peers, consulted area experts, and cross-referenced our reporting frameworks to identify the most material issues.

- Global Reporting Initiative (GRI)
- Sustainable Accounting Standards Board (SASB)
- Task Force on Climate-related Financial Disclosures (TCFD)

## PRIORITIZATION

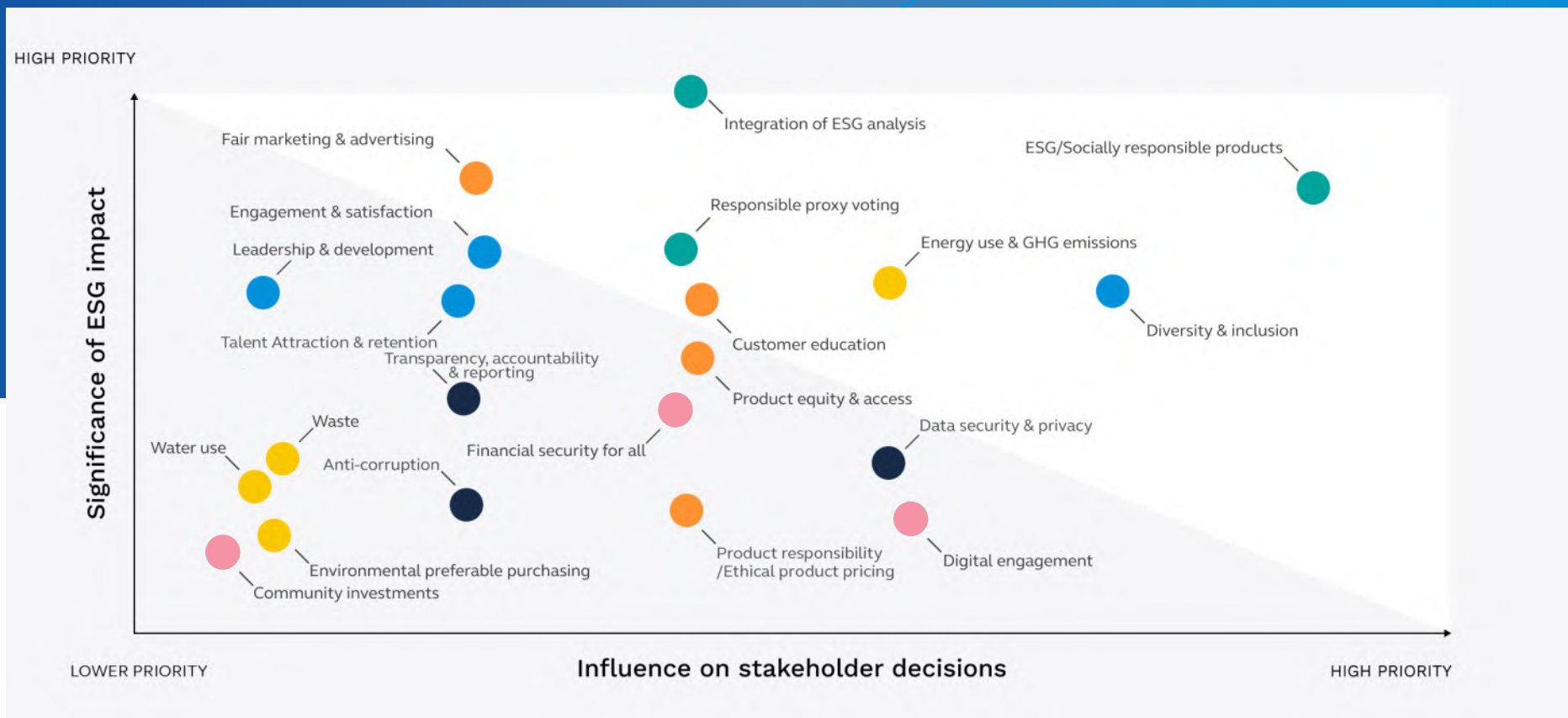
Based on significance of impact and influence on stakeholder decisions, we refined and prioritized the issues most material to our business.

- **Significance of ESG impact:** Areas where we're actively working toward sustainability targets and have actionable initiatives in place
- **Influence on stakeholder decision:** Areas most aligned to the issues of a particular stakeholder group as well as to the most useful decision metrics

*Note: Because many of these issues are interrelated, they shouldn't be viewed in isolation. Improvements in one area can lead to improvements in another.*

STRATEGY

# Materiality matrix



MATERIAL AREAS

- EMPLOYEE DEVELOPMENT
- FINANCIAL INCLUSION
- GOVERNANCE, ETHICS, & RISK
- ENVIRONMENTAL IMPACT
- CONSUMER AND PRODUCT IMPACT
- RESPONSIBLE INVESTING



STRATEGY

# Input from stakeholders

*We've gathered feedback from clients, institutional customers, employees, and investors to understand their priorities and performance expectations for ESG material matters.*

STAKEHOLDER GROUP	ESG ALIGNMENT TO MATERIAL METRICS	NATURE OF ENGAGEMENT	FREQUENCY
<b>EMPLOYEES</b>	<ul style="list-style-type: none"> <li>Diversity &amp; inclusion</li> <li>Talent attraction &amp; retention</li> <li>Leadership &amp; development</li> <li>Engagement &amp; satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>Performance reviews and career path/professional development discussions</li> <li>Employee engagement/satisfaction survey via periodic pulse checks and formal year-end questionnaire</li> <li>Direct outreach to Employee Resource Groups (ERGs) via forums, company meetings and events</li> </ul>	Ongoing pulse check of employee engagement and satisfaction as well as professional development and engagement with ERGs is ongoing; formal performance review and satisfaction and engagement surveys annually
<b>INSTITUTIONAL CUSTOMERS</b>	<ul style="list-style-type: none"> <li>Integration of ESG analysis</li> <li>Responsible proxy voting</li> <li>ESG/Socially responsible products</li> <li>Data security &amp; privacy</li> </ul>	<ul style="list-style-type: none"> <li>Touch points with dedicated account managers</li> <li>Focus groups for new and existing products</li> <li>Fact sheets, prospectus, website</li> <li>Third-party ESG ratings as a screening mechanism</li> </ul>	Ongoing touch point with dedicated account managers for voice of client feedback; as needed focus groups (with global representation)
<b>RETAIL CUSTOMERS</b>	<ul style="list-style-type: none"> <li>Digital engagement</li> <li>Customer education</li> <li>Fair marketing and advertising</li> <li>Product responsibility/ethical product pricing</li> <li>ESG/Socially responsible products</li> </ul>	<ul style="list-style-type: none"> <li>Direct outreach through digital chat interface</li> <li>Social media &amp; gamification to engage on values alignment story</li> <li>Surveys and polling to gather voice of client</li> </ul>	Ongoing feedback from digital platforms and social media; voice of client surveys and polling at least annually
<b>INVESTORS</b>	<ul style="list-style-type: none"> <li>Energy use and GHG emissions</li> <li>Water use</li> <li>Waste</li> <li>Environmental preferable purchasing</li> <li>ESG/Socially responsible products</li> <li>Transparency, accountability, &amp; reporting</li> <li>Anti-corruption</li> </ul>	<ul style="list-style-type: none"> <li>Utilize CSR/Annual reports to analyze how ESG integration at the corporate level reduces costs and enhances brand value</li> <li>Press release, conference calls, webinars and proxy statements to learn about ESG-focused products that are an added revenue stream</li> <li>Third-party ESG ratings as a screening mechanism</li> </ul>	Ongoing Investor Relations engagement; quarterly shareholder meetings and earnings calls
<b>GOVERNMENTS &amp; NGOS</b>	<ul style="list-style-type: none"> <li>Financial security for all</li> <li>Product equity and access</li> <li>Community investments</li> <li>ESG/Socially responsible products</li> <li>Transparency, accountability, and reporting</li> </ul>	<ul style="list-style-type: none"> <li>Impact surveys and reports</li> <li>In person/virtual meetings</li> <li>Thought leadership on policy forums</li> <li>Speaking at events/conferences</li> <li>Partnering on initiatives</li> </ul>	Annual review of philanthropic and company sponsorship partner alignment; continuous engagement at events and forums
<b>COMMUNITIES</b>	<ul style="list-style-type: none"> <li>Community investments</li> <li>Diversity &amp; inclusion</li> <li>Financial security for all</li> <li>Product equity and access</li> </ul>	<ul style="list-style-type: none"> <li>Digital chats</li> <li>Social media &amp; gamification</li> <li>Surveys</li> </ul>	Ad hoc polling/surveys of various community groups; ongoing feedback from digital platforms

# ESG Task Force

Members of our ESG Task Force are leaders across the organization, appointed by Chairman, President, and CEO Dan Houston. They report quarterly to the Board of Directors. The role of the ESG Task Force is to ensure that material issues help guide our business decisions, shape our overall ESG strategy, and continually engage with stakeholders. This keeps us aligned with internal goals and third-party standards, including those of the U.N. Global Compact, which we joined at the Participant level in January 2021, as well as other business groups such as the Business Roundtable and the CEO Action for Diversity and Inclusion.

Throughout the year, the ESG Task Force met monthly to discuss matters such as GRI reporting, public policy engagement, KPI and goal setting, and the company's purpose strategy.

*We're putting our values and purpose first to support the expectations of our stakeholders.*

## PRINCIPAL FINANCIAL GROUP® ESG TASK FORCE



**BETH WOOD**  
Chair, SVP,  
Chief Marketing Officer



**MIRIAM LEWIS**  
Chief Inclusion Officer



**KEVIN FARLEY**  
Vice President  
Enterprise Worksite Services



**CHRIS REDDY**  
Executive Director of  
Investment & Client Solutions



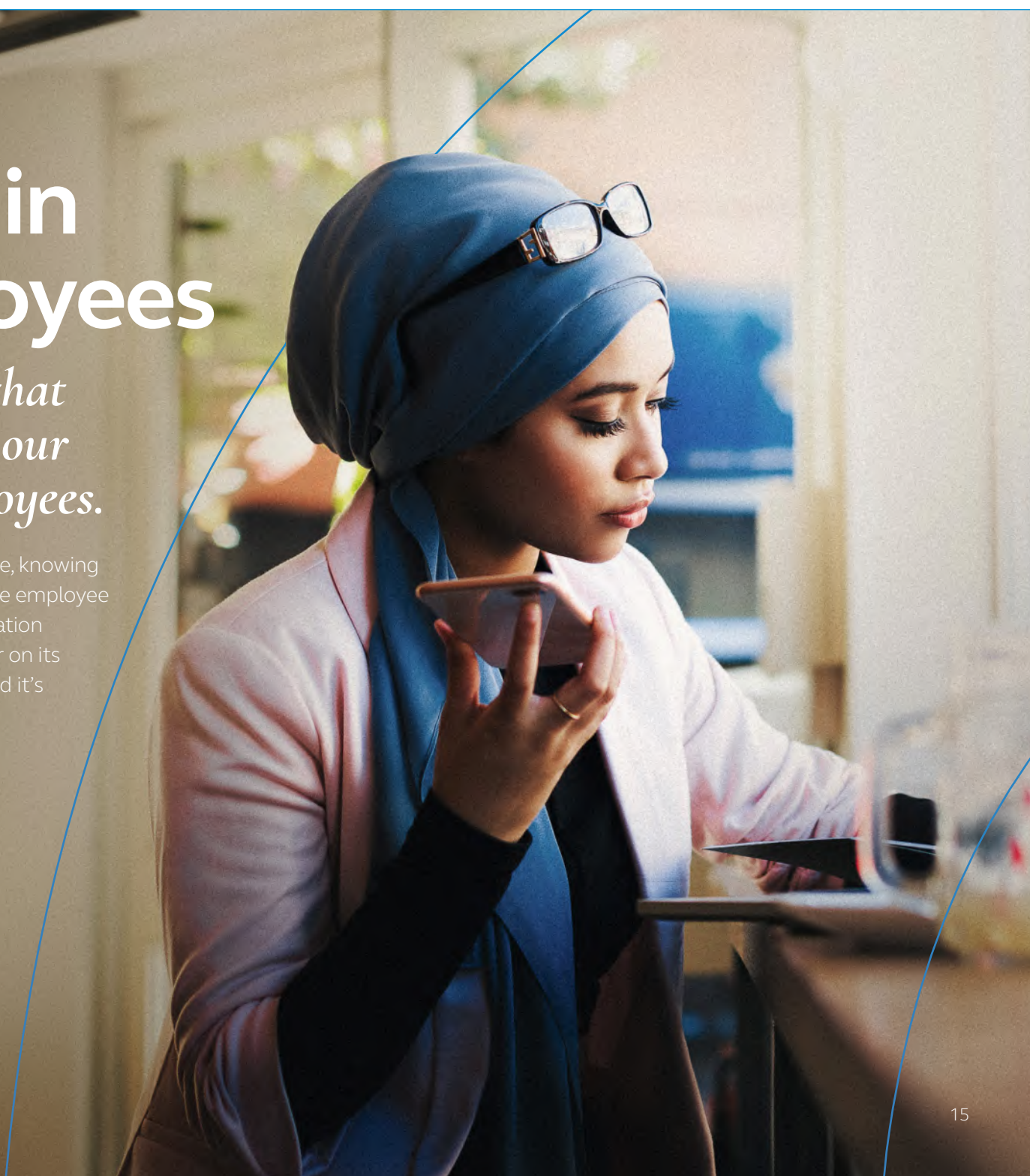
**JO CHRISTINE MILES**  
Director of Principal®  
Foundation & Community  
Relations

PEOPLE

# Investing in our employees

*Fostering a culture that demands the best of our leadership and employees.*

We are building a more inclusive workforce, knowing that this will help us attract talent, increase employee engagement, and develop the next generation of leaders. It helps the organization deliver on its purpose, it makes us a better company, and it's simply the right thing to do.





# Global inclusion

Diversity and inclusion (D&I) are foundational to our culture and vital to our continued success as an organization because our employees do their best work when surrounded by a broad set of perspectives, skills, and beliefs.

*That's why we're committed to nurturing an inclusive culture and diverse workforce based on the highest ethical standards and a dedication to fairness, respect, integrity, and trust.*

D&I isn't new to Principal, which has a long-standing commitment to diversity and inclusion: Principal recognized the value of diversity almost 50 years ago by adding our first female board member; and we've had minorities on our Board for more than 20 years. Our longest-serving female board member joined in 1992.

Today, 50% of our C-Suite are women, and women and minorities make up 64% of the independent members of our Board. We have 13 employee resource groups. They are highly focused on cultivating relationships and contributing to business growth.

Some notable firsts:

- We named our first woman vice president in 1991.
- We named our first woman senior vice president in 1998.
- We named our first woman executive vice president in 2004.
- We named our first women division presidents in 2015.

Diversity and inclusion are the reality of how we work and are supported by our broad D&I network. Some of our recent actions include:

- Refreshed our global inclusion strategy to help ensure connectivity to our business and people strategies
- Transitioned our Diversity Council to an Executive Inclusion Council with our CEO serving as the executive sponsor
- Restructured our employee resource groups to a franchise model to help ensure connectivity to the global inclusion strategy and to better engage employees worldwide
- Our Chief Inclusion Officer serves as chair of The American Council of Life Insurers' D&I strategy group
- Publicly affirmed our commitment to diversity and inclusion by our chairman, president, and CEO signing the CEO Action for Diversity & Inclusion pledge

We're committed to accountability in these efforts. By tracking our progress, we can ensure appropriate attention and resources uphold the policies and actions with the greatest potential to make a difference.





## GLOBAL INCLUSION

# Growth in diversity

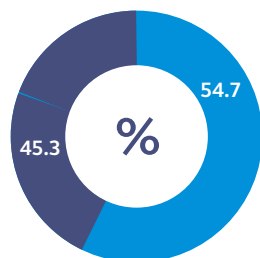
To serve a broad set of customer needs around the world, our employees must reflect that same diversity of individuals, families, businesses, and communities we serve. Through our Diversity Index, we track representation within our employee populations to ensure our organization continues to make progress in this area.

Annually, our goal is to reach an Inclusion Index score of 80% or above. [Our Inclusion Index](#) measures culture of learning and trying new things: employees being comfortable being themselves in a supportive environment for sharing ideas; employees feeling valued and respected.

### GLOBAL EMPLOYEES

As of 12/31/2020

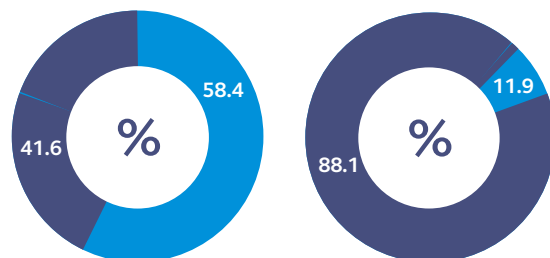
● Men ● Women



### UNITED STATES EMPLOYEES

As of 12/31/2020

● Men ● Women ● White ● People of Color



At the end of 2014, women comprised 60.9% of our global workforce. As of December 31, 2020, that percentage held steady at 54.7%. In 2014, 72% of our workforce was located in the U.S.; today that number is 60.7%.

In the U.S., 802 of our employees identified as persons of color (POC) at the end of 2014—that's only 8.3% of our total U.S. workforce of 10,536 employees. By the end of 2020, 1,255 employees identified as POC, or 11.9% of 10,536 employees in the U.S. workforce. That's an average annual growth rate of 9.4% since 2014 and 8.1% growth from 2019 to 2020.

*We made these changes to enrich the diversity of thoughts and ideas infusing the work we do. But we recognize there's more to be done.*

### TO KEEP MAKING PROGRESS WE'RE:

- Fostering diversity in our internship, mentorship, and early leader development programs
- Continuously refreshing our people processes (i.e., recruitment and retention; growth path to promotion and development; compensation and benefits) to ensure we're nurturing an inclusive environment.

### INDUSTRY RECOGNITION

In 2020, we launched a global initiative. Our aim was to build awareness of unconscious bias, then to mitigate the biases we bring to work, resulting in a workforce that makes more informed, effective, and confident decisions.

During this 30-day digital initiative, **2,160 of our global leaders** participated, totaling more than 4,300 hours of involvement. Teaching tools included on-demand videos, supplemental written materials, and a live webinar.

When this intensive program ended:

- **97%** of leaders surveyed felt moderately to extremely **prepared** to accept that bias influences their decisions,
- **5%** felt moderately to extremely **prepared** to label their bias,
- **93%** feel moderately to extremely **prepared** to mitigate bias.

In total, **94% of participants feel prepared** to make better, more informed decisions since participating in this rigorous module of unconscious bias training.

### CONNECTED CONVERSATIONS

More than **4,000 employees engage** in our Employee Resource Groups (ERGs) and women's networks. With global events each year, ERGs extend opportunities to increase the capabilities and connection within our employee population. Learn more about our [Connected Community](#).

GLOBAL INCLUSION

# Leadership and advancement

*We continue to hire and advance leaders of diverse backgrounds as we endeavor to expand our thinking, foster innovation and new ideas, and stay connected and engaged with the people and communities we serve.*

Our Diversity Index monitors our representation and progress across multiple leader teams, including tracking advancement within Principal for our female and racially diverse employees in the U.S. The Human Resources Committee of the Principal Board of Directors reviews the diversity of the company’s workforce, as well as other progress against its global inclusion strategy.

**To further educate our employees in matters of diversity and inclusion, we:**

- facilitated Culture of Inclusion training (95% of employees completed), and
- implemented Managing Diversity for Leaders training (95% of leaders completed).

**To expand racial and gender representation within our leadership teams, beginning in 2021, we will:**

- prioritize identifying inclusive candidate slates and interview teams for leadership positions,
- continuously track, oversee, and discuss this commitment within our Executive Inclusion Council and Executive Management Group, and
- transparently report our progress and plans.

	CURRENT PERCENTAGE AS OF 12/31/2020	AVG ANNUAL GROWTH RATE SINCE 12/31/2014
<b>INDEPENDENT BOARD DIRECTORS</b>		
<b>WOMEN</b>	45% (5 OF 11)	4% (4 TO 5)
<b>PEOPLE OF COLOR</b>	18% (3 OF 11)	33% (1 TO 3)
<b>EXECUTIVE MANAGEMENT GROUP/C-SUITE</b>		
<b>WOMEN</b>	42% (5 OF 12)	11% (3 TO 5)
<b>PEOPLE OF COLOR</b>	8% (1 OF 12)	0% (1 TO 1)
<b>SENIOR MANAGEMENT GROUP (SVP AND ABOVE)</b>		
<b>WOMEN</b>	39% (11 OF 28)	2% (10 TO 11)
<b>PEOPLE OF COLOR</b>	12% (3 OF 26)	10% (2 TO 3)
<b>U.S. SENIOR LEADERS</b>		
<b>WOMEN</b>	40% (655 OF 1,631)	5% (519 TO 655)
<b>PEOPLE OF COLOR</b>	7% (122 OF 1,631)	12% (77 TO 122)

# Pay equity and supplier diversity

We've built our workplace on principles of fairness and equity. We believe that all employees should have a safe and inclusive work environment where everyone is treated fairly, with high standards of professionalism, and in full compliance with the law.

We provide competitive compensation for our employees around the world. Our Human Resources department uses third-party market data, obtained through our annual participation in salary surveys administered by unaffiliated consulting firms, to help ensure base salary and incentives are appropriately aligned in the markets where we compete for talent.

Employees receive an annual compensation statement that explains the components of their pay and how their performance influences the awards they receive. Learn more about our [global pay philosophy](#).

Yearly, we review our pay practices for potential unexplained differences in pay by gender or race. To this end, Principal has internal processes, analyses, and monitoring in place to assist in identifying and addressing gaps by gender or race. We're confident that these robust processes and analyses are an important guard against statistically significant pay gaps.

This work continues. In 2021, we're using a third-party organization to evaluate the processes, analyses, and development of our ongoing pay equity plan.

In addition, an annual internal employee survey includes pay-related questions, which allow employees to inquire broadly about compensation. Employees also can raise pay-equity concerns through an [Ethics Hotline](#), the Principal Human Resources Department, or their leader.

## INCLUSION IN OUR BUSINESS PRACTICES

Our focus on diversity and inclusion is central to how we operate as a global company with the purpose of helping more people achieve financial security.

We strive to implement business practices that serve a wide-ranging customer base, incorporate diverse service focused partners in our supply chain, and foster inclusion as we go to market with our financial solutions.

Our specific measures, and a little about each of them, will follow.

## SUPPLIER DIVERSITY PROGRAM

Principal values doing business with diverse suppliers. Through our supplier diversity program, we actively support and facilitate the purchase of products and services from businesses owned or operated by individuals representing varied demographics.

Our approach supports the growth and development of the communities we serve. It delivers value to shareholders by tapping into the widest possible selection of suppliers, innovative solutions, and creative thinking.

## 2020 PROGRAM HIGHLIGHTS

- We continued working with the Financial Services Roundtable for Supplier Diversity, benefiting from its benchmarking survey and supplier-development committee.
- We focused on Tier 2 reporting from non-diverse suppliers and improved communication on timing and reports.
- We began a review of our current program and its documentation, including the program's mission, objectives, and success measurements.

## 2021 PLAN

- We'll evaluate memberships with diverse organizations to help ensure value.
- We'll drive inclusion through category management and a preferred supplier program.
- We'll hold a virtual Supplier Diversity Business Exchange.



This represents an average annual growth rate of 19.8% since 2014 and 28.9% growth from 2019 to 2020.

We strive to include diverse suppliers in all bidding opportunities and seek service focused partners who contribute to our strategic business objectives and financial performance. Read about our [supplier diversity program](#).



# Listening to employees

In 2020, we launched our Voice of Employee (VoE) program—an agile approach to understand employees’ needs, quickly respond, and help ensure we’re best positioned to serve our customers. It combines frequent pulse surveys with our Enterprise Readiness Team—a network of employees around the globe that help connect insights and action at a local level. This approach moved us away from a lengthy annual Employee Opinion Survey (EOS) toward “always-on” listening. Throughout the first two quarters of 2020, our VoE program played a vital role in our COVID-19 response. Through a unique crowdsourcing feature, employees voted on open responses which surfaced top employee needs. We stayed connected to employee sentiment about work/life sustainability, leadership support, employee engagement, inclusion, priorities and goals. We’ve leaned into what employees have told us is most important:

## INTENTIONAL, VISIBLE LEADERSHIP, AND INCREASED TRANSPARENT AND TIMELY COMMUNICATION

- Frequent messages from our CEO, Dan Houston, and enterprise-wide town hall meetings
- Articles, discussion boards, and blog posts on our employee communications channel

- Frequent team meetings, informal connections, and 1:1s focused on well-being

## COMMITMENT TO FLEXIBILITY AND WORK-LIFE BALANCE

- Emphasis from leaders on employee flexibility and grace
- Voluntary return to work site with the vast majority working remotely full time
- Extra holidays to help people refresh and recharge

## AMPLIFYING THE VOICE OF EMPLOYEE HELPS DRIVE IMPROVED ENGAGEMENT

After months of COVID-19 specific pulse surveys, we launched an engagement and inclusion pulse to establish a baseline for inclusion and revisited the four questions that make up our engagement index. This index has been used at Principal for several years and is part of our Enterprise Balanced Scorecard. Our engagement index result is up **8 points over 2019**, exceeding our 2020 target by 7 points. This is the most meaningful shift we’ve experienced in several years. How Principal responded during the pandemic has had a direct impact on engagement because we leaned into what employees told us was most important to them. Our efforts have resulted in an increased sense of pride and trust.

## OUR 2021 PLAN

We’ll experiment with new tactics in addition to the pulse surveys and Enterprise Readiness Team. For example, we’ll pulse with targeted groups to go deeper where needed and deploy timely two-question surveys on our employee communication channel.







# Attracting and retaining the best people

Human Resources' areas of focus are built on the following beliefs:

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

At times, employees have concerns and suggestions for improvement that require communication beyond our existing employee listening and enterprise readiness team.

*We encourage all employees to speak up and take advantage of the open-door philosophy our leaders follow.*

Whether employees have concerns or suggestions for improvements, we encourage communication—there's a strong open-door policy among leadership at Principal. Our goal is to provide an environment of inclusion and freedom to associate, which includes the right to associate with each other to discuss the terms and conditions of employment in accordance with the local laws.

# Recruiting talent through university associations

Recruiting employees with unique experiences, backgrounds, and talents strengthens our company. Along with a significant financial investment in recruiting diverse talent in the U.S. during 2020, we also invested 140 hours at recruiting and student events and an estimated 350+ hours interviewing candidates for internships.

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

## LEADERSHIP DEVELOPMENT PROGRAM

This three-year rotational program teaches our next generation of leaders the ins and outs of global financial services.

Each year, high-performing entry-level employees are mentored by senior managers, participate in earnings-call debriefs, complete leadership skills assessments and development plans, engage in learning projects, and interact with analysts, investors, and employees.

## SALES DEVELOPMENT PROGRAM

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

## INTERNSHIPS

In 2020, we hired 215 students for internships from 55 colleges and universities across 25 states and managed an entirely remote internship program.

All Principal interns are competitively compensated and provided opportunities to execute real work projects. Even in the virtual environment, our interns experienced

professional development, networking, and skill-building workshops.

The summer program included hearing from four of our Executive Management Group members, including CEO & President Dan Houston. Six lunch & learns covered topics ranging from networking to data analytics.

Our last three years of conversion rate-to-employment averaged around 34%.

INTERN TO FULL-TIME CONVERSION RATES OVER THE LAST THREE YEARS			
YEAR	HIRED	TOTAL ELIGIBLE	% CONVERTED
2018	50	131	38%
2019	40	123	33%
2020	39	129	30%
<b>3 YR TOTAL</b>	<b>129</b>	<b>383</b>	<b>34%</b>

## PARTNERSHIP WITH IOWA JOBS FOR AMERICA'S GRADUATES (iJag)

Principal has a long-standing relationship with the Iowa office of Jobs for America's Graduates network. iJAG's mission is to provide support, skill development, and opportunities for underrepresented students at the highest risk of disengaging from school.

Principal provides opportunities for iJAG participants to gain skills, job shadow, and encouragement to take the next step in their career or education through classroom volunteering and a summer employment program.

Though classrooms converted to virtual in 2020, Principal still maintained a robust volunteer presence in iJAG classes. 70 employees consistently volunteered in the classrooms of nine local middle and high schools. Our employees volunteer 1-2 hours per week to meet with students and teach résumé building, college and career optioning, interview skills, and financial literacy.

Our volunteer efforts are tightly managed allowing us to be flexible and quickly reactive to support iJag classrooms in a time of fast-shifting school schedules and changing student need.

# University associations and grants

By teaming with select colleges, universities, and other higher education programs through the Talent-Focused Higher Education Grant, we invest in opportunities to support students in service to our mission and enhance the pipeline of talent to Principal.

We fund Principal business-related scholarships and programs that help build our workforce talent pipeline. We also support initiatives addressing development of market-driven and high-demand skills.

*Each year, we fund \$500,000 in Talent-Focused Higher Education Grants.*

Our grants focus in three core areas: student engagement, experiential learning, and diversity and inclusion development.

## TARGETED STUDENT ENGAGEMENT

- Academic scholarships
- Student organization funding
- Industry-related academic initiatives at the course, major, or department level

## EXPERIENTIAL LEARNING INITIATIVES

- Projects intended solely to enhance student knowledge gain and skill development
- Student attendance at professional and academic conferences or similar engagements that are intended for skill development and industry exposure

## DIVERSITY AND INCLUSION DEVELOPMENT

We support initiatives focused on increasing diversity and opportunity in industry-related educational fields:

- Scholarships directed toward demographically diverse student populations within their intended industry
- Programs and initiatives that foster the education and career attainment of underrepresented student populations

As part of these grants, our focus is to recruit a diverse set of employees. We team with numerous diverse student organizations at colleges and universities around the country, including the University of Iowa, Iowa State University, University of Northern Iowa, University of Michigan, and Drake University.

From women in business and computer science, to societies for Black and Hispanic engineering, we're fostering career attainment for underrepresented student populations.

Beyond these Talent-Focused Higher Education Grants, we engage with community-based organizations to enhance access opportunities for underrepresented populations, such as Home Base Iowa for Veterans and Society for Latino and Black Actuaries.

## MANAGEMENT LEADERSHIP FOR TOMORROW

In 2020, we began a relationship with the Management Leadership for Tomorrow organization to focus recruiting efforts for diverse undergraduate and MBA-level talent.

Our recruiting efforts involve Principal employees from across talent areas.



# Training & development

We believe development inspires engagement and empowerment and embracing a growth mindset directly contributes to our organization’s success.

At Principal, we encourage development in a variety of ways, including formal, experiential, and through relationships.

Employees have access to online, one-stop shop development opportunities through a learning app in our Human Resources system. Employees and leaders also have access to Harvard Manage Mentor (HMM), providing online, on-demand training on relevant topics.

The average tenure of our U.S. employees is **13.6** years. Our employee turnover rate in 2020 was **7.6%**, which is down from **7.9%** in 2019. We seek to retain our employees through meaningful training and development opportunities and a supportive culture that provides benefits and amenities.

## MENTORING

In July 2020, we launched a global mentoring program. This resource is available to all employees and leaders worldwide.

As a company, we’ve proactively taken steps to help ensure we’re better positioned to adapt to a rapidly changing environment, and a key enabler of the transformation is our individual development.

As part of the program, employees and leaders match with a mentor or a mentee. Upon initial launch, we made **2,187** matches, and through the remainder of 2020, our mentors have logged more than **7,100** hours of engagement.

## EDUCATIONAL ASSISTANCE

The Principal Educational Assistance Program supports our core values of people development by offering employees financial assistance with their job-related educational pursuits. The program is key to development and designed to encourage employees to complete courses or degree programs directly related to their current job or future growth opportunities.

In 2020, our employees participated in approximately **400** distinct classes, totaling close to **\$900k** in investment by the organization.

## FUTURE SKILL DEVELOPMENT

As parts of our organization continue to prepare for rapid and ongoing transformation, Principal invested in a pilot learning program for a select group of employees.

In 2020, we introduced a scalable learning solution for **1,500** of our global employees. In the first two months of use, employees have logged more than **1,000 hours** of learning across 980 different courses.

## RETAINING EMPLOYEES

Retention strategies are woven into all our compensation and retirement programs. The programs for the broader population include our Employee Stock Purchase Program, our annual incentive program, and a cash balance defined-benefit retirement plan (excluding our asset management employees).

For select employees, we offer a Long-Term Incentive Program.



# Culture, benefits, and amenities

Because each employee is unique, our benefit packages offer a lot of choices at an affordable cost, and they vary by location. It's an important part of how we attract and retain the best talent.

## WORK-LIFE BALANCE

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

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

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

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

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

## HEALTH AND WELLNESS

**Health:** We offer medical and prescription drug coverage, dental and vision insurance, flu vaccines, flexible savings accounts, health savings accounts, telehealth, and weight management programs.

There is also an on-site pharmacy at our Des Moines headquarters.

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

**Fitness center:** We provide a state-of-the-art fitness center at our company headquarters, plus health club reimbursements for those without access to an onsite fitness center.

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

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

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

## FINANCIAL SECURITY

**Retirement plans:** We match 75% of the amount an employee elects to defer to the 401(k) plan, up to 8% of eligible pay.

**Employee stock purchase plan:** All full-time or part-time (regularly scheduled to work at least 20 hours per week) employees can buy Principal stock at a 15% discount.

**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 a maximum amount).

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

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

**Will preparation services:** Employees have access to prepare a standard will and identity theft prevention resources provided by ARAG® at no cost.

A close-up photograph of a woman with voluminous, curly brown hair. She is smiling broadly, showing her teeth. She is wearing a vibrant, multi-colored shawl or scarf in shades of red, orange, and yellow. The background is softly blurred, suggesting an outdoor setting.

# Awards and recognition

*We always look for ways to continuously improve.*

Of all the accolades we've received, we're most proud of being consistently recognized as a great place to work by our employees. At the same time, we're always looking for ways to continuously improve. Our awards include:

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**One of Iowa's Top Workplaces** according to an employee survey conducted by Top Workplaces and published by *The Des Moines Register* (September 2020)

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One of *Pensions & Investments'* **Best Places to Work in Money Management** (December 2020)

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Recognized by IDG's *Computerworld* as one of its **100 Best Places to Work in IT** 19 consecutive years, ranking No. 32 in 2020

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One of 100 of the **World's Most Ethical Companies**, named by the Ethisphere Institute, which recognizes organizations that make a material impact on the way business is conducted by fostering a culture of ethics and transparency on every level of the organization. This is the 11th year Principal has been recognized by Ethisphere. (February 2021)

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Recognized by *Forbes* as one of the **Best Employers for Women** (July 2020)

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One of *Forbes'* **Best Employers for Diversity** (January 2020)



PRACTICES

# Protecting the environment for all

To continue to foster a more secure world, we're mindful of our impact on the environment, strengthening our pledge to be responsible stewards. We insist on environmentally responsible behaviors by our company, our employees, and our services focused business partners.



# Our environmental areas of focus

We tread lightly by reducing our carbon footprint, using energy and water efficiently, and minimizing waste. At the same time, we engage our employees, stakeholders, and supply chain through environmental awareness initiatives.

We established a system and policy that are modeled after ISO14001 and designed to reduce energy use and GHG emissions, improve water efficiency, reduce waste to landfills, and increase employee awareness.

GREENHOUSE GAS EMISSIONS	UNITS	2010	2017	2018	2019	2020*
SCOPE 1 DIRECT EMISSIONS	METRIC TONS CO2E	6,120	6,067	6,867	6,454	4,402
LOCATION-BASED SCOPE 2 EMISSIONS	METRIC TONS CO2E	61,299	36,784	36,583	34,166	30,860
TOTAL SCOPE 1 AND LOCATION-BASED SCOPE 2 EMISSIONS	METRIC TONS CO2E	67,419	42,851	43,450	40,620	35,621
REDUCTION AGAINST BASE YEAR (2010)	% DECREASE FROM BASE YEAR	-	36%	36%	40%	47.7%

\*2020 values will be verified in Q2 2021, and final figures will be disclosed in the CDP. US figures only. Principal is in planning and development for scope three initiatives.

**11,932 LBS**  
OF FOOD DONATED

**954**  
MEALS

**70,772 LBS**  
OF FOOD DIVERTED FROM LANDFILL

## ENERGY AND CARBON

We pursue opportunities to invest in energy-efficient systems and processes that reduce carbon and energy usage. We've exceeded our goal of reducing our greenhouse gas (GHG) emissions by 30% by 2020, as compared to the 2010 baseline, with a total GHG reduction of 47.7%.

## WATER EFFICIENCY

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

## WATER AND RECYCLING

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

## AWARENESS

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

## SUPPLY CHAIN

We work with key suppliers regarding their sustainability initiatives and establish purchasing guidelines to encourage responsible environmental practices.

## FOOD DIVERSION AND COMPOSTING

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



# Our green building initiatives & employee efforts

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

## DIVERTED 74% OF OFFICE WASTE

- Changed to fully compostable food containers
- Implemented a composting program for food prep areas in all cafeterias
- Implemented composting in the customer area of the largest café
- Processed 27 tons of compostable material

## RECYCLED MORE THAN 71%

of construction materials removed—beating the LEED guidelines minimum of 50.

## MAXIMIZED GREEN SPACE

with native and drought tolerant plants.

## PROVIDED BICYCLE STORAGE

to encourage employees to bike to work.

## INSTALLED ECO-FRIENDLY FIXTURES

in restrooms and kitchens (low-flow toilets, low-voltage soap and paper dispensers).

## UTILIZED ECO-FRIENDLY

carpet, furniture, wood, and paint when possible.\*

## MADE RECYCLING EASIER

for employees by placing recycle bins next to landfill waste bins.

## INSTALLED 100% LED LIGHTING

to significantly reduce electricity use.

## PROVIDED MORE NATURAL LIGHT

to reduce energy use.

## PLANTED TREES AND CREATED GREEN SPACE

When a building in our Des Moines campus came to the end of its lifecycle, we replaced it with a new greenspace. We planted 50 new trees as part of this project. This space now serves as a pocket park to enjoy the outdoors on a beautiful day.

## EMPLOYEE EFFORTS

Our employee grassroots initiative, the Green Team, implements practices to help reduce our environmental footprint and promote green practices among employees. In the past, the Green Team regularly hosted on-campus recycling events to keep plastic bags, electronics, and paper out of landfills. With restrictions on in-person events, 2020 was a challenging year. However, the Green Team still hosted a personal paper-shred day (with social distancing) in October and recycled 2,100 lbs of paper.

Read more: [Environmental policy](#)

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

# Environmental performance

For the seventh year in a row, Principal earned a Leadership-level score on the CDP’s (formerly Carbon Disclosure Project) climate change questionnaire. Our 2020 score of A-, based on data from 2019, was above average for companies within our industry and in the U.S.

## CARBON INTENSITY TRENDS AND GOAL-SETTING

- We’ve exceeded our 2020 goal of reducing our greenhouse gas (GHG) emissions by 30% by 2020, as compared to the 2010 baseline, with a total GHG reduction of 47.7%.
- We utilized the well-below 2 degree C (WB2C) model within the Science Based Target tool to set our next carbon reduction goal for our Scope 1 and Scope 2 market-based emissions.
- The WB2C model recommends a 15-year goal of 37.5%. However, we decided to go beyond and set a 40% reduction goal for the next 15 years.
- Additionally, we aspire to achieve net-zero carbon emissions by 2050. Because the low building occupancy in 2020 reduced our carbon emissions, we decided to use 2019 emissions as our baseline for this new goal.\*

\*<https://sciencebasedtargets.org/what-is-a-science-based-target/>

How will we get there? We’re working on implementing additional energy conservation measures within our portfolio, which include LED lighting retrofits, ongoing building commissioning, and full implementation of design standards across leased portfolio to maximize energy efficiency. Renewable energy is a key resource in the battle against climate change, so we’ve started our journey to explore alternative options.

We recognize the growing importance of tracking and reducing emissions across the value chain, otherwise known as scope 3 emissions. Currently, Scope 3 emissions aren’t included in our beyond 2020 goal because to date there isn’t an agreed upon methodology widely used in the financial services sector for calculating and disclosing Scope 3 emissions related to investments. However, we’re currently tracking Scope 3 emissions for business travel and emissions from leased assets. We recognize that our Scope 3 emissions from the investments we manage and own will represent most of our organization’s emissions.

As we develop systems for calculating emissions related to these assets, we’ll seek to develop a plan to reduce those emissions.

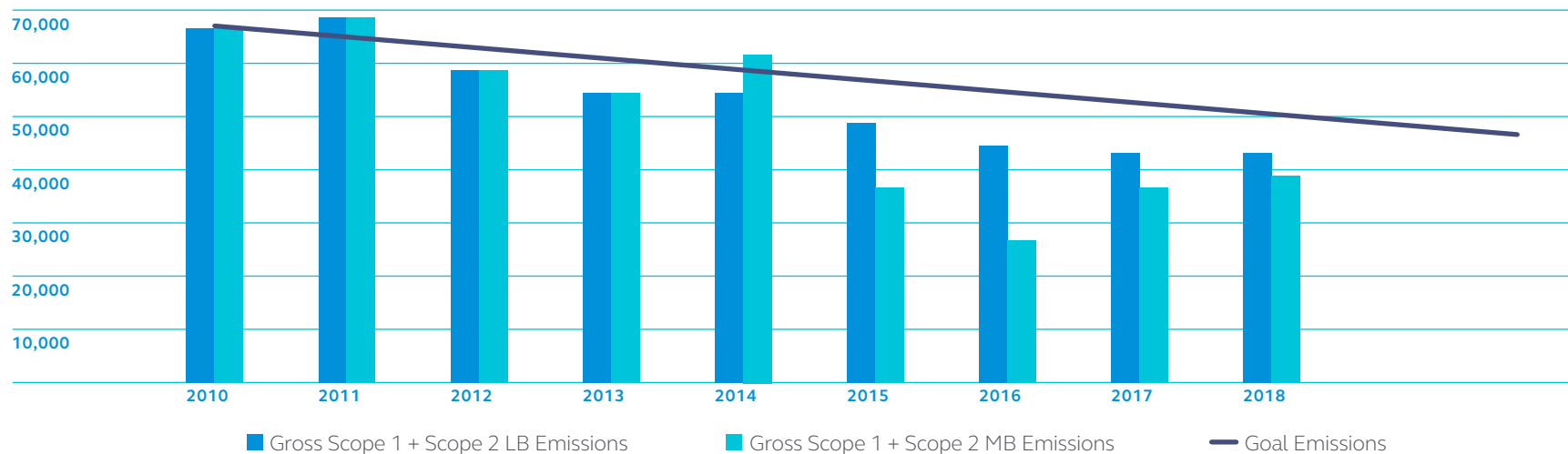
GREENHOUSE GAS EMISSIONS	UNITS	BASE YEAR	2025	2035
GOAL—TOTAL SCOPE 1+ MARKET-BASED SCOPE 3 EMISSIONS	METRIC TONS CO2E	30,680	26,589	18,408
GOAL—REDUCTION AGAINST BASE YEAR	METRIC TONS CO2E	N/A	4,091	12,272
GOAL	% DECREASE FROM BASE YEAR	N/A	13%	40%

# Environmental performance (cont.)

## BUILDING GREEN

We utilize LEED certification to ensure efficient and healthy work environments. Of the Principal owned and occupied portfolio in Des Moines, 95% is LEED certified, as measured by square feet. Additionally, three of our corporate buildings earned the ENERGY STAR rating in 2020.

PRINCIPAL U.S. CARBON EMISSIONS AGAINST 2020 GOAL





PRACTICES

# Integrity at the core of our practices

*Leading with humanity, accountability, and transparency.*

We pride ourselves on our legacy as an ethical company. This has always set us apart. Operational excellence and good governance help us serve our stakeholders, and that's a critical component of our continued success and striving to do what's right.





# Corporate governance

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

*We're one of 100 companies named to Ethisphere Institute's World's Most Ethical Companies for the 11th year.*

## ANTI-CORRUPTION

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

Links to policies:

[Online privacy policy](#) | [Security policies](#) | [European Economic Area online privacy policy](#)  
[Anti-bribery and corruption policy](#) | [Anti-money laundering OFAC policy](#)

Read more:

[Protecting your information](#) | [Five ways to protect your information](#) | [Business Continuity Planning](#) | [Corporate Governance](#) | [Employment Policies](#) | [Political activity policy](#)  
[Reporting fraud or unethical conduct](#) | [List of corporate political contributions](#)  
[Policy for corporate political contributions](#)

## OUR CURRENT BEST PRACTICES

- Most independent directors (11 out of 12)
- Board diversity: More than half of directors are women or people of color
- All key committees composed entirely of independent directors
- A strong independent lead director. From 2007 through the end of 2019, this position was held by Elizabeth E. Tallett, who has more than 30 years' experience as a senior executive in the biopharmaceutical and consumer industries. Since January 2020, this position has been held by Scott Mills, president of BET Networks.
- A director resignation policy which is invoked if the support of a majority vote of shareholders isn't achieved
- A policy that monitors directors' service on other public company boards
- Annual board and committee self-assessments
- Director assessments as needed alongside the director nomination process
- Robust stock ownership guidelines for directors
- Robust shareholder engagement program to obtain valuable feedback on our compensation and governance programs
- CEO succession plan reviewed annually by the independent directors, with and without the CEO present
- Annual board review of senior management long-term and emergency succession plans

## GLOBAL CODE OF CONDUCT (GCC)

The GCC is our foundation for ethical behavior and is required by all employees. It's an extension of our core values, particularly of our integrity. It applies to all wholly and majority-owned entities of Principal Financial Group around the world and to the Principal Board of Directors.

Read it [here](#).

Read more:

Our corporate governance page includes:

- Overview
- Board and committees
- Corporate governance guidelines
- Policy on Director independence

[Bylaws](#) | [Audit Committee charter](#) | [Finance Committee charter](#)  
[Human Resources Committee charter](#) | [Nominating and Governance Committee charter](#)

# Board leadership structure

Our Board exercises flexibility to structure its leadership as needed. Historically, the positions of chairman of the board and CEO have been held by two people, or combined and held by one person, depending on circumstances such as tenure and experience of the CEO and the economic and operating environment.

The Board regularly reviews the effectiveness of this shared leadership approach.

Read more about our Board structure in our [Proxy Statement](#)

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

## ROLE OF THE BOARD IN RISK OVERSIGHT

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

Our company-wide Enterprise Risk Management program includes a **chief risk officer**, whose team operates independently from the business units, and an Enterprise Risk Management Committee, composed of members from the executive management team, that provides enterprise-wide oversight for material risks. We also have a robust internal audit function.

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

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

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

The chief risk officer and other members of senior management provide reports and have discussions with the Board and its committees regarding our risk profile and risk management activities, including reviews of ongoing adherence to policy, impacts of external events, and how strategy, initiatives, and operations integrate with our risk objectives.

The Board also receives input on these issues from external entities, such as our independent auditor and consultants. These activities provide the Board with a greater understanding of the material risks we face, the level of risk in matters presented for Board approval, and how risks are related.

# ESG risk and oversight

We insist on environmentally responsible behaviors by our company, our employees, and our service-focused business partners globally. The Charter of the Nominating and Governance Committee is charged to “review environmental and corporate social responsibility matters of significance to the Company.” The review process includes the performance of Principal against specific sustainability metrics, such as carbon emissions reductions, waste diversion, and water consumption. Senior management reports the progress of Principal toward its carbon emissions reduction goal twice per year during two of the quarterly Nominating and Governance board of director committee meetings.

Principal has also taken steps to review its business continuity plans and implement mitigation strategies, such as maintaining plans across its geographical footprint to help ensure key roles and processes are distributed among locations and developing contingency plans for alternate operations. Additionally, we’ve defined priorities to address concentration, interdependence, third-party risks and loss of IT through the validation and stress testing of recovery strategies and better integration of Business Continuity and Disaster Recovery (IT) testing.

We continue to mature program design, processes, and automation to help ensure our efforts are aligned to business requirements and regulatory focus on operational resilience. In 2021, we’re expanding processes and procedures to implement climate risk considerations within the business continuity exercises.

## MORTALITY AND MORBIDITY RISK MANAGEMENT

Principal employs a variety of risk management practices that are intended to mitigate the climate-related mortality and morbidity risks. In particular:

- **Portfolio concentration risk management.** We have a broad-based distribution network that markets our products across the entire U.S. This helps mitigate concentration risk across our book of business. In addition, we actively manage concentration of exposure for our group mortality risks. Principal also utilizes reinsurance to help mitigate risk exposure from claims and to protect against unexpected significant events.
- **Risk monitoring and trend analysis.** We conduct ongoing monitoring and assessment of mortality and morbidity experience relative to that assumed in pricing and in force management, including but not limited to valuation, capital management, stress testing and cash flow testing. We carry out significant analysis around claims and actual-to-expected mortality and longevity ratios to understand trends and potential emerging risk. If experience significantly deviates from our expectation, then we’re able to adjust assumptions used in our pricing accordingly and in force management processes if necessary.

# ESG risk and oversight (cont.)

## HOW WE ADDRESS ESG RISK VULNERABILITIES THROUGHOUT THE ENTERPRISE

RISK OR VULNERABILITY	AREAS OF RISK	KEY RISK MITIGATION INITIATIVES
<b>ENVIRONMENT</b>	<ul style="list-style-type: none"> <li>• Physical risk of climate change</li> <li>• Transitional risk of climate change</li> <li>• Environmental risk of supply chain</li> </ul>	<ul style="list-style-type: none"> <li>• Incorporate climate risk thought processes into Business Continuity Planning</li> <li>• Scale climate risk testing for 1.5C°, 2C°, and 4C° scenarios</li> </ul>
<b>SOCIAL</b>	<ul style="list-style-type: none"> <li>• Human capital</li> <li>• Product governance</li> <li>• Social risk of supply chain</li> <li>• Insuring health &amp; demographic risk</li> <li>• Human rights</li> </ul>	<ul style="list-style-type: none"> <li>• Supply chain code of conduct requirements and ongoing monitoring of adverse risk impacts</li> <li>• Annual assessment of risk related to health and demographic risk insurance</li> </ul>
<b>GOVERNANCE</b>	<ul style="list-style-type: none"> <li>• Corporate Governance</li> <li>• Ethics</li> <li>• Anti-bribery and corruption</li> <li>• Data privacy</li> <li>• Cybersecurity</li> </ul>	<ul style="list-style-type: none"> <li>• Annual cybersecurity incident response exercises with business leaders</li> <li>• Continued risk assessments on key risk areas such as anti-bribery and corruption and ethics</li> </ul>



# Cybersecurity

Our Board of Directors remains focused on persistent cybersecurity threats through regular reports from the chief information officer and chief information security officer.

Our global privacy office is led by our chief privacy officer, with expertise in privacy law and best practices. Information security governance benefits from an information security steering group made up of information security leadership and business information security officers.

In addition, the Cybersecurity Working Group includes experts from privacy, legal, compliance, risk, audit, and other functions who assist with decisions for escalated issues. We manage risks related to cybercrime, using a variety of controls and capabilities, including but not limited to:

- Identity and access management
- Data protection
- Phishing simulation
- Firewalls
- Encryption
- Penetration testing
- Software security
- Intrusion prevention, detection and monitoring systems, and
- Threat intelligence.

On an ongoing basis we conduct or facilitate a variety of employee education and awareness training, including for people in specific roles, emerging risks and new technology solutions. **In 2020, 99.7% of employees completed information security training.**

Supplier risk reviews are regularly conducted to help ensure access to and the proper handling of confidential, sensitive and proprietary data. We align our standards with the National Institute of Standards and Technology. Several control measures roll up into our Corporate Balanced Scorecard metric of “Information Security Controls Effectiveness” for visibility, oversight, and accountability across the enterprise.

Principal has Network Security and Privacy Liability (cybersecurity) insurance. We also conduct annual cybersecurity incident response exercises that involve business recovery leaders as well as senior management.

## WE COLLABORATE ACROSS OUR INDUSTRY

- We actively participate in the **Financial Services Information Sharing and Analysis Center**, the only industry forum for collaboration on critical security threats facing the global financial services sector—including data security and privacy. Our chief information security officer is a member of its board of directors.
- In 2020, Principal joined the nonprofit **Cyber Readiness Institute** as a fellow advisory board member. The board provides free practical tools and educational resources on cybersecurity risk to small and medium-sized businesses, a key client group for Principal.
- Principal is a member of the **Society of Professional Asset Managers and Record Keepers (SPARK)**, a U.S.-based advocacy organization for the retirement plan industry. Principal has a seat on its data security oversight board to help develop cybersecurity standards for retirement services.

# Data privacy

Principal is committed to good stewardship of the personal information and assets entrusted to us by our customers, employees, business partners, and other individuals. Our global privacy office is led by our chief privacy officer, with expertise in privacy law and best practices.

Our holistic approach combines data privacy, information security, and data governance to foster a culture of data protection via [Privacy by Design](#) principles. These principles are continuously updated through policy, education, and investment.

All workers are required to follow the Principal established policies and standards regarding the protection and use of personal information. New employees complete and sign a Confidentiality Acknowledgement, which is also required of all employees on a regular basis. All employees are required to complete privacy training that varies according to job function and their performance on routine evaluations.

*We strive to ensure that all personal information under our care is handled lawfully, fairly, transparently, and securely.*

Additional training metrics are as follows:

## 2020 PRIVACY PRINCIPLES (ANNUAL TRAINING FOR ALL STAFF)

<b>TOTAL ENROLLED</b>	14,788
<b>TOTAL COMPLETED</b>	14,337
<b>PERCENT COMPLETED</b>	97% (Goal: 95%)

## THE RIGHT TO PRIVACY (REQUIRED FOR ALL NEW EMPLOYEES)

<b>TOTAL ENROLLED</b>	1622
<b>TOTAL COMPLETED</b>	1573
<b>PERCENT COMPLETED</b>	97% (Goal: 95%)

## WE COLLABORATE ACROSS OUR INDUSTRY

- Principal is a corporate member of the International Association of Privacy Professionals and has a number of IAPP Certified Information Privacy Professionals (CIPP/US) on its privacy team.
- The chief privacy officer is a member of the Privacy Committee and legislative drafting subcommittee of the American Conference of Life Insurers (ACLI); and representatives of the enterprise privacy office, PGI and RIS are members of the Investment Company Institute (ICI) Privacy Issues Working Group.

At Principal, our collaborative approach to data protection and governance positions us well to navigate the complex and evolving global data privacy landscape. Our cross-functional team understands these complicated risks and works together to be in compliance with the law and to create a global culture of data protection and cybersecurity, so we can use data responsibly and strategically in our innovative, customer-focused business strategy.



PRODUCT AND SERVICES

# Human-centered investment

*Building a better future with responsible investing practices.*

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





# Principal global investors

As one of the 2020 World’s Most Ethical Companies,\* we’re committed to making our ESG initiatives transparent. Trust in our business—to do the right thing, in the right way—is central to who we are as a company.

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

Principal Global Investors offers a variety of financial products and services in more than 20 globally diverse regions to customers in more than 80 nations and territories. We provide investment experience, consistently competitive investment strategies, and top-tier service.

*Trust in our business—to do the right thing, in the right way—is central to who we are as a company.*

\*One of 100 of the World’s Most Ethical Companies, named by the Ethisphere Institute, which recognizes organizations that make a material impact on the way business is conducted by fostering a culture of ethics and transparency on every level of the organization. This is the eleventh year Principal has been recognized by Ethisphere. (February 2020).

\*\*AUM as of December 31, 2020. Due to rounding, figures and percentages shown may not add to the total or equal 100%.



OUR AUM BY ASSET CLASS	
● Fixed income, <b>\$241.4B</b>	
● Equity, <b>\$210.6B</b>	
● Real estate, <b>\$89.4B</b>	
● Alternatives, <b>\$3.5B</b>	





# Our philosophy

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

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

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## GOVERNANCE, ETHICS, AND RISK

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

## A FLEXIBLE APPROACH

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

## PORTFOLIO-SPECIFIC SUSTAINABILITY EFFORTS

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

## INDUSTRY RECOGNITION

Received an **A+** rating in the Strategy and Governance Module by U.N. PRI\*

Named a CDP S&P 500 Climate Performance Leader for the seventh consecutive year\*

\*For fiscal year 2020

*“You can have great investment results and ESG—they can go together. It’s a myth that you sacrifice one or the other.”*

*—Pat Halter*

*President and CEO of Principal Global Investors*

# Integrating ESG principles

With climate change, population growth and geopolitical shifts bringing new and potentially disruptive operating contexts for companies, Principal Global Investors must consider ESG analysis as part of our fiduciary responsibility as an investment manager and to act in the long-term best interests of our clients. This client-first focus is central to how we integrate ESG factors across our investment portfolios. So, too, is the voice given to us by Principal Global Investors' signatory status to the United Nations-sponsored Principles for Responsible Investment (PRI).

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

## WHAT DOES ESG INTEGRATION MEAN TO US?

Within our established investment process, ESG integration is just a matter of focusing on repeatable and achievable, long-term outperformance for our clients.

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

Integrating ESG factors takes place across all asset classes that Principal Global Investors' teams manage. The approach is determined by the specific team's investment process and the underlying asset class regardless of whether that asset is equities, fixed income, or real estate.

# Equities

Our commitment to ESG is well aligned with our responsibility to help clients protect and grow their capital through five key principles:

- **Fiduciary first** – Our strong fiduciary mindset—making investment decisions based on what’s best for the client in terms of their risk profile, suitability, and goals—has long served as a key distinction of our culture, not only within Principal Global Equities but for all of Principal Global Investors.
- **Independent assessment** – We see third-party ESG scoring metrics as useful background information and overlay our independent assessment for investment decision-making as an investment manager. The two main providers (MSCI ESG and FTSE Russell Sustainalytics) have vastly different ratings on many companies. We look beyond those biases rather than blindly screen on ratings.
- **Direction not level** – This reflects the most direct extension of our investment philosophy and the key source of alpha opportunities through ESG engagement.
- **Alpha and risk reduction** – The avoidance of companies that knowingly exploit economic externalities at the expense of others is also an important source of enhanced returns, risk reduction, and fiduciary responsibility.
- **Engagement vs. Activism** – Rather than demanding specific actions, we take a more consultative approach, sharing our views and preferences on pertinent ESG priorities and by beginning the process by simply asking “what is changing?”

## ESG SOCIALLY RESPONSIBLE MANDATES

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

# \$3.4 billion

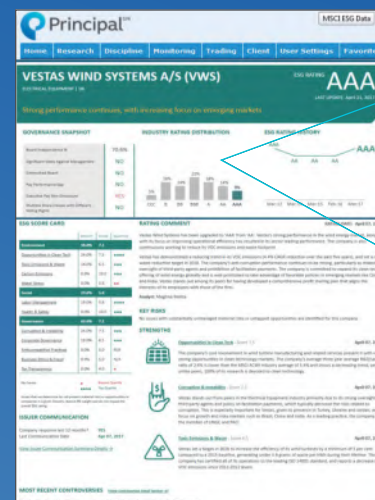
Custom-screened assets under management

We offer a full suite of specialty ESG indices.

MSCI ESG company profiles are fully integrated in our analyst research dashboard.

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

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







# Responsible proxy voting

Over the years, our processes have grown to include engagement with companies on ESG issues. We believe that direct communication between investors and companies on ESG matters (Engagement) is an important element of the portfolio management services provided to our clients.

Engagement with management teams may lead us to make decisions that favor actions intended to maximize a company’s shareholder value and contribute to our overall research on a company. We take seriously our commitment to our community and society. We believe that we must take responsibility for educating others and ourselves by addressing a range of ESG issues that are critical to the well-being of our community and society and may maximize shareholder value.

Principal Global Investors has a proxy voting policy that describes its approach to exercising voting rights and other rights attached to shares. Principal Global Investors has engaged Institutional Shareholder Services, Inc. (“ISS”), a proxy

voting advisory firm, to provide research recommendations and vote execution services. We’ve also made available to all clients custom voting policies they may elect to more closely align with client-specific objectives, including sustainability policies. The Proxy Voting Policy is available at <https://www.principalglobal.com/about-us/responsible-investing>.

During the fourth quarter of 2020, of the 557 votable meetings, Principal Global Investors voted in 552 meetings, including 5 proxy contests. The votes cast on ballots during the reporting period are aligned with management recommendation in 89% of the cases, while the ISS Benchmark Policy recommendations are also at 89% alignment with management recommendation. We voted against management votes in 177 meetings and against ISS votes in 13 meetings.\*

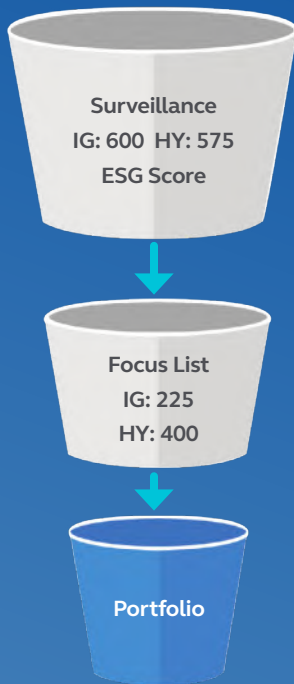
\*Reporting Period: 1 October 2020 through 31 December 2020. This disclosure covers the Shareholder Engagement process of Principal Global Investors Equities, Principal Real Estate Securities, Aligned Investors, and Edge Asset Management.



# Fixed income

Principal Global Fixed Income integrates ESG perspective in all levels of the investment process for the purposes of risk management and alpha generation. Our research teams are organized by areas of industry sector specialization. Our analysts utilize a Fundamental, Technical, and Valuation (FTV) factor variable framework to establish a level of conviction and ultimately a portfolio recommendation at the security and industry level.

**Investment Universe**  
**IG-Over 1,000 issuers**  
**HY-Over 1,000 issuers**



## CREDIT RESEARCH PROCESS

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

- This score, a numeric-based system ranging from 1-Poor to 10-Excellent, indicates the analyst's overall assessment of the company's ESG standing. Analysts raise any concerns about ESG issues and other fundamental concerns during meetings with corporate management teams. The response feeds into the assessment of the company's outlook and potential fit for the portfolio.

### 2. Explicitly utilize independent ESG score within FTV framework.

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

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

- Our flexible investment process allows for multiple ESG construction options regarding any securities, industries, or countries a client specifies.

## ESG SOCIALLY RESPONSIBLE MANDATES

In addition, we do have client-directed socially responsible mandates, whereby a screened list supplied by the client is applied as an overlay to the ESG-integration investment process.

# \$4.3 billion

Custom-screened assets  
under management

Read more:  
[Principal Global Fixed Income Responsible Investing Statement](#)

# Real estate

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

We believe environmental, social, and governance (ESG) factors are integral to our fiduciary responsibility and critical to our goal of delivering superior risk-adjusted returns to our clients and investors.

Our Pillars of Responsible Property Investing framework guides our approach to real estate investment and management.

## THE PILLARS OF RESPONSIBLE PROPERTY INVESTING (PRPI)

### MARKET RESILIENCE

Reinforcing the social and economic vitality in markets where we do business through:

- Equitable contracting
- Community investment
- Healthy and productive buildings\*

### CORPORATE GOVERNANCE

- Integrity
- Transparency
- Managerial oversight

### PROPERTY PERFORMANCE

- Benchmarking energy, water, and waste
- Operational best practices
- Stakeholder engagement

Our [Responsible Property Investing Policies](#) directly support the implementation of the PRPI initiative and guide us in the consideration of ESG issues throughout all phases of (1) the real estate equity investment lifecycle—including acquisitions, development, operations, and dispositions, and (2) the lending process—including loan origination, due diligence, underwriting, and portfolio monitoring.

\*Principal Real Estate Investors focuses on developing and operating buildings that serve as healthy work and living environments to promote the physical and mental well-being of our tenants and residents. Principal Real Estate Investors is a dedicated real estate investment management group within Principal Global Investors.



REAL ESTATE

# Our progress

**EUROPE**

Principal Global Investors acquired Principal Real Estate Europe in 2017. We're working to incorporate European assets into the PRPI initiative. In 2019, Principal Real Estate Europe adopted Principal Real Estate Investors' ESG Policies. Last year, we submitted four European funds to GRESB and posted strong 2020 performances in addition to creating strategies to help improve ongoing ESG performance through property team engagement, data collection, certification, technical assessment, and compliance strategies.

**CLIMATE RISK**

We built upon our first Task Force for Climate Related Financial Disclosures (TCFD)-aligned climate risk assessment. Armed with results from the first assessment, we developed site-by-site guidance to help us improve resiliency to physical climate risks, including flooding, rising sea levels, water stress, heat stress, major storms, and wildfires. These guidance documents were shared with property teams to help

them identify and track actional next steps to improve property-level resilience.

**SUSTAINABLE LENDING**

We continued efforts to improve ESG performance in our lending efforts by creating the ESG Borrower Engagement Toolkit, detailing best practices for our borrowers to implement sustainable activities at their own properties. This guidance document offers strategies to help improve building-level sustainability performance through data collection and tracking, implementing efficiency initiatives, engaging tenants, improving building-level health and wellness attributes and programs, and communicating progress to external stakeholders. Our team also joined the U.S. Department of Energy's Debt Working Group as part of its ongoing goal to support industry advancements in ESG.

**INDUSTRIAL EXPANSION**

Our current PRPI initiative covers all eligible office, multifamily, and retail assets. In 2020, we started

expanding the PRPI initiative to cover industrial assets. As a result of our efforts, nearly 100 industrial properties joined the PRPI initiative. Going forward, we'll continue bringing industrial properties on board to drive continued financial results and improved environmental, social, and governance performance in our real estate investment options.

**HEALTH AND WELLNESS POLICY AND GOALS**

Principal Real Estate Investors is dedicated to improving the health and wellness of its buildings and our tenants. In support of these efforts in 2020, we held a health and wellness staff training, published a white paper titled *The future of buildings: Four emerging health and wellness trends* to share our knowledge with stakeholders, and became a Fitwel Champion to advance health and wellness initiatives at the property level. As a Fitwel Champion, we pledge to certify at least six properties with Fitwel over the next 12 months.

Read more:

[Responsible property investing website](#) | [Principal Real Estate Investors responsible property investing report 2018/2019](#)  
[Awards and recognition](#) | [Responsible property investing thought leadership](#) | [Responsible property investing policies](#)

REAL ESTATE

# 2020 ESG accomplishments and recognition

166

Properties in the PRPI initiative

130,400

Metric tons of CO2 equivalent savings since baseline\*

**PRI Direct Property Assessment**

A+ band rating\*  
Fourth consecutive year, 2020  
\*represents top 40% worldwide performance

35.3 million

Square feet in PRPI initiative

84%

of office portfolio is green certified (BOMA 360, IREM, LEED and/or ENERGY STAR)

**ENERGY STAR Partner of the Year**

Sustained Excellence 2018 - 2020

15.2%

Cumulative energy savings since baseline\*

41

ENERGY STAR certified buildings in portfolio

**CDP**

A- score or higher  
Eighth consecutive year 2020

**GRESB**

4-Star rating\*  
Fifth consecutive year, 2020  
\*represents top 40% worldwide performance

\$51.0 million

Cumulative energy savings since baseline\*

47

LEED certified building in portfolio

**Green Lease Leader**

2017-2019; 2020 – 2023 (Gold)

\*Baselines are individually set and generally date back to 2008. Rankings out of 47 U.S. diversified, non-listed property strategies. 2020 GRESB assessment, data as of December 31, 2019. CDP responses are available here: <https://www.cdp.net/en/responses>. Each year, the EPA honors organizations that have made outstanding contributions to protecting the environment through energy efficiency. April 2020, U.S. Environmental Protection Agency.



# ESG and asset allocation

Principal Global Asset Allocation (PGAA) builds ESG awareness into each step of the asset allocation investment process



## EVALUATE

Establish common criteria to assess ESG profile

Understand how ESG principles can impact investment outcomes

Track overall ESG ranking at asset class, fund, or sub-advisor level

Focus on ESG ratings trend



## IMPLEMENT

Assess ESG impact across investment process

Seek sub-advisors that integrate ESG into their process

Align ESG sensitivity with client objective



## MONITOR

Examine impact of ESG biases on performance and risk

Evaluate implementation of ESG policies

Analyze ESG rating and trajectory

# ESG and asset allocation (cont.)

## ASSESSING THE BUILDING BLOCKS

Principal Global Asset Allocation (PGAA) builds ESG awareness into each step of the asset allocation investment process. As asset allocators, the building blocks, or betas, that we select when constructing portfolios can be very influential in determining the overall ESG sensitivity of a strategy. As such, when building portfolios, we first determine the ESG rating for each asset class in our investment universe, using the representative indices as our baseline. This analysis allows us to understand, at a high level, what the ESG implications might be of emphasizing certain asset classes in order to achieve a desired investment outcome.

## IMPLEMENTING

Once we progress to the implementation of those selected asset classes, we rely on multi-pronged approach to help ensure that we are building portfolios that reflect our ESG philosophy. We require that all our sub-advisors be signatories to the United Nations Principles for Responsible Investment (UNPRI). This helps ensure that we are engaging with sub-advisors that share our belief that ESG issues can impact the performance of investment portfolios. Further, we require that each sub-advisor submit an ESG policy, which details their individual philosophy and ESG methodology.

Finally, all sub-advisors must complete our annual ESG questionnaire, which delves into the level that ESG is being incorporated into the day-to-day management of the portfolio. The questionnaire is a proprietary tool developed by PGAA that

allows us to compare the ESG awareness across sub-advisors, disciplines, and asset classes. This comparison is formalized in our internal ranking system which assesses each sub-advisor according to their level of ESG integration.

This ESG integration ranking is primarily qualitative in nature and attempts to capture the intentions of the sub-advisors in adhering to an ESG discipline. To complement this qualitative assessment, we employ a holdings-based ESG analysis across all our portfolios. Specifically, we rely on ESG Manager from MSCI ESG Research, LLC as our primary tool to evaluate ESG criteria. We use the MSCI analysis to gain a detailed understanding of how an individual holding (company) is rated according to ESG principles. We examine the overall ESG rating and the individual E, S, and G ratings in absolute measure as well as index- or peer-group relative, as applicable. We focus specifically on the trend of those ratings over time versus any one reading. To gain a better understanding of the trajectory of future ratings, we review the allocation to security issuers that are considered ESG leaders or laggards.

This qualitative and quantitative assessment of the ESG profile of a sub-advisor or a strategy allows us to favor superior ESG profiles, without veering from our primary investment objective. For example, when selecting a large cap value manager for our equity allocation, we could prefer one that has the higher ESG rating or alternatively, the option that may have a lower overall rating but has higher exposure, to ESG leaders that may improve their ratings trajectory in the near-term.

## PRODUCT AND SERVICES

# Impactful products to benefit consumers

*Educating consumers, promoting fairness, and driving equity and access.*

We provide affordable, accessible, and user-friendly products and services to people from many backgrounds. No matter where they live or where they are in life, they can lean on us for help in reaching their financial goals.





# Consumer education

## FINANCIAL EDUCATION IN LESS THAN 30 MINUTES

Our webinar series features a new financial topic each month, available to both customers and non-customers. In 2020, these webinars included topics such as:

- Market volatility and recessions 101
- How to boost retirement savings
- Overlooked costs of healthcare in retirement
- Teaching kids money basics
- Getting started with money talks

Last year, more than 35,000 people benefitted from the financial education in these webinars available at no additional cost.

Our online library of past webinars remains available according to our review policies at [principal.com/LearnNowOnDemand](https://principal.com/LearnNowOnDemand) and covers a wide range of topics from tackling debt to tax strategies and saving for the future. (Some replays are available in Spanish.)

*We strive to put  
our customers first.*

## FAIR MARKETING AND ADVERTISING

Principal neither engages in nor tolerates false, misleading, or exaggerated advertisements. Employees only disclose product and service information that can be substantiated. In all advertising, marketing, sales and general presentation materials, Principal avoids false and misleading statements about the quality or performance of our product. We don't make false and illegal claims about our competitors and/or their products and services.

## CUSTOMER COMPLAINTS

Fair treatment of customers is integral to business. Customer complaints give us valuable information to help improve our service, alerting us to problems that require our attention. Done correctly, complaint handling provides us with an opportunity to rebuild relationships with our customers when something has gone wrong.

We take steps to resolve complaints promptly and appropriately. We do so in accordance with the applicable business area's complaint-handling procedures to ensure complaints are recorded, resolved, and reported in a compliant manner consistently.

## PRODUCT EQUITY AND ACCESS

At Principal, we envision a world where financial security is accessible to all and where our products and services help more people save enough, protect enough, and have enough.

Equitable products that are accessible to all, including those in underserved populations, is pivotal to the success of this mission. As a member of the U.N. Global Compact, we participate in the Sustainable Finance action group to work together with other industry leaders as we rethink the future of finance as a catalyst for social impact.

## PRODUCT RESPONSIBILITY/ETHICAL PRODUCT PRICING

We align to all state regulatory guidelines and oversight that requires insurers to consider product suitability and ethical customer practices.

Our individual and group insurance policies and booklet-certificates describe the terms of the benefits purchased by an employer for their employees. The policy is the legal contract with the employer and outlines the responsibilities of Principal Life as well as the employer in the administration of these benefits.

The booklet-certificates describe eligible employee benefits along with eligibility requirements and limitations or exclusions that apply to the insurance coverage.



PEOPLE

# Financial inclusion for all

We believe our financial products can lift people up all around the world. We exist to enable financial security and work to reach more people every day.

*Financial wellness is a healthy balance between living for today while planning for tomorrow.*



# Access to financial products

We seek to broaden the accessibility and relevance of financial products for more people. This includes commissioning ethnographic and quantitative research to best support and serve economically disadvantaged populations and underrepresented demographics in the financial industry.

We team with customer groups to uncover more relevant product design, explore distribution pathways, craft more meaningful, relevant, and inclusive language, and understand the role financial products might play throughout their lives.

The emergence of new technology enables us to improve accessibility and

provide digital channels, experiences, and financial education. This in turn empowers people to make educated financial decisions.

No matter where they live or where they are in life, Principal and the Principal® Foundation will help people take steps toward feeling more financially secure.

Over the next 5 years, it is our goal to double the number of minority and women-owned small to mid-sized businesses we support through product access, micro-finance, economic development, and financial education.

## DIGITAL CHANNEL ACCESS

In 2020, we launched the Principal Business Needs Assessment, the latest addition to our expanded suite of digital solutions designed to help employers assess their current financial plan and adjust accordingly, based on both short- and long-term goals.

We also unveiled solutions designed to help the 5 million U.S. businesses that are currently without a retirement plan.

We teamed up with other key service leaders to provide Principal® EASE, a uniquely designed pooled employer plan (PEP) launched in January 2021. It combines integrated retirement plan administration, customer service, and investment management capabilities.

Simply Retirement by Principal® is our digital 401(k) product, making retirement plans more accessible to businesses with fewer than 100 employees. Only 55% of workers employed by small businesses have access to a retirement plan. Simply Retirement by Principal® presents an opportunity for small businesses to expand and differentiate their benefit offerings.

## CONNECTING INVESTORS TO CHARITIES

Philanthropy Fund Indonesia responds to customers' interest in social-impact investing supporting the U.N. Sustainable Development Goals. It empowers investors to donate their returns to charitable bodies selected by Principal Indonesia.

Launched in 2019, it's the first fixed-income thematic fund of its type in Southeast Asia, allowing investment returns to be distributed to multiple beneficiaries, broadening its potential social impact.

# Spreading digital access with Principal International

Our digital tools and resources help the growing middle class, including mobile apps, single sign-on technology, and financial wellness resources.

*Our products and expertise can have a profound impact on these customers. Our solutions help tailor the experience, supporting personal needs and financial goals.*

## Several examples showcase our commitment around the world:

### CHILE

In Chile, in the first year of the COVID-19 pandemic, our Cuprum mobile app made it easy for workers to make hardship withdrawals from their pension accounts. We prioritized the urgent needs of our customers while still advocating for pension policies that safeguard retirement security for current and future generations.

In Principal Chile, we also launched Simple Invest, a mutual fund platform that allows new and current customers to invest on their own or with support from an advisor.

### THAILAND

In Thailand, clients can now view their retirement statements, calculate their retirement readiness, and modify their contribution plans via mobile app. Another new app allows investors to conduct transactions and manage their portfolios.

### BRAZIL

Brasilprev, our joint venture with Banco do Brasil, improved the claims and benefits payment process with a fully digital solution—reducing the time to request payment from 30 to 20 days, going paperless in the process.

### MEXICO

Principal Mexico implemented new features and functionality within their website to accommodate customers during the prolonged COVID-19 pandemic—such as online appointment scheduling and the ability to request unemployment insurance—leading to a significant growth in web traffic and a substantial increase in the number of new registrations.

In Mexico, we supported a breakthrough in retirement policy. Collaborating with Mexico’s largest chamber of commerce and major labor unions, we worked with the pension industry to contribute to legislation reforming Mexico’s mandatory pension system. The new law, which passed the Mexican Congress in early December and takes effect in 2021, will expand access to pensions and more than double the retirement savings rate—from 6.5% today to 15% in 2030.

# In our own words: The power of financial education

*Principal® Hola, Futuro!, or “Hello, Future!” is our new Spanish-language digital education hub that features education and resources to help answer popular questions such as “What’s a retirement savings account?” or, “Why is it important to save for retirement?”*

*Pamela Vazquez is a bilingual retirement specialist in the WSRS participant contact center, working primarily with Spanish-speaking plan participants.*



## **HOLA!**

In our contact center, we’re accessibly helping participants with questions and education regarding their retirement plans, with services by Principal, in a way that is approachable and easy to understand. It’s especially comforting for them to know we’re here for them during these uncertain times.

## **USING MY SKILLS FOR OTHERS**

During my time in this department, I’ve been able to bring the skills from this role into my own life—educating my own family about the importance of retirement savings. I use the tools and resources I have available and have learned along the way. For example, helping my younger sister to participate in her own plan. I’ve helped her learn about risk tolerance, knowing how to deal with market volatility, learning how to read investment information, and even how increasing her deferrals would make a difference in her account.

Everything I know of retirement plans I’ve learned here in the participant contact center, which ties back to the importance of us serving customers accessibly. We’re the first people who speak with participants—we’re what they see as “Principal.”

Many times, a participant has called in, confused as to what they’re doing with their account and asking for help. I make sure that by the end of my time with them I’ve provided the information they need, so they can make their decisions.

## **PRINCIPAL® HOLA, FUTURO!**

Being a bilingual representative is important because many participants lack the 1:1 opportunity to learn more about their retirement plans—which for the Latino community is, at times, a new topic.

With the integration of the Principal® Hola, Futuro! platform, we now have the educational pieces to provide participants with the information they strongly want to know.

There are so many resources on the Principal® Hola, Futuro! platform: educational videos, articles, and so much more. Lack of this type of resource for the Latino community has been a major reason participants are so unaware why saving for retirement is so important. I love the fact that there are bilingual education representatives who support the participant contact center, and they go out to companies to help educate our participants.

Being a part of this team gives me the opportunity to “fill the gaps” by engaging and helping our Latino customers out in any way I can.

–Pamela Vazquez





# Principal® Foundation

The Principal Financial Group Foundation, Inc., (“Principal® Foundation”) is a distinct, not-for-profit undertaking separate from the Principal Financial Group, Inc. (“Principal”).

The major focus of the foundation is to build financial security in the communities where Principal operates. The Principal® Foundation has over \$225M assets under management\* and directs its returns to help people become financially empowered.

While the Principal® Foundation receives funding from Principal, it is an independent organization. The Principal® Foundation doesn’t practice any form of

investment advisory services and isn’t authorized to do so.

Domestic community collaborators of the foundation reported a positive trend in helping people become more self-sufficient.\*\* Through Principal® Foundation investments in their programs, these collaborators helped enable financial security for more people.

\* As of December 31, 2020.

\*\* In 2020, all those who received grants in 2019 were asked to provide two years’ worth of data (2018-2019) to measure impact year-over-year

## 2020 IMPACT RESULTS



### JOB & WORK READINESS

31,666 ▲+24%  
Number of individuals to receive job and skill development training

32,005 ▲+25%  
Number of individuals to receive job readiness training



### EMPLOYMENT AND INCOME

3,215 ▲+11%  
Number of individuals placed in employment

1,577 ▲+18%  
Number of individuals with increased income



### SAVINGS AND CREDIT

3,283 ▲+19%  
Number of individuals with new access to banking and financial services opportunities

1,749 ▲+16%  
Number of individuals with an increase in savings

285 ▼-2%  
Number of individuals with improved credit score

Numerical figures are the totals reported by all 2019 domestic Financial Security Grant recipients who were able to track that data point for 2019. Deltas are the percent of change reported by only 2019 domestic Financial Security Grant recipients who had the ability to track that data point for both 2018 and 2019.

Read more:

[Current sponsorships](#) | [Process for requesting sponsorship](#) | [Process for requesting a grant](#) | [Giving back](#) | [Employee volunteerism](#) | [Our partners](#)

THE PRINCIPAL® FOUNDATION

# Community investments

**KIVA**

In 2020, Principal® Foundation collaborated with Kiva to engage in their International Women’s Day match campaign. Our **\$100,000** donation to their program provided loans to **3,356** women owners of micro/small businesses in **19** countries across the globe.

**UNITED WAY**

One of our signature projects in 2020, in conjunction with United Way Worldwide, was dedicated to building early childhood financial literacy kits for school-aged children—encouraging financial education early in life when it can have an even greater impact.

In 2020, Principal employees built **850** financial literacy kits for kids at a conference in Denver, Colorado. This volunteer activity totaled **600** volunteer hours and produced **\$16,812** in economic impact. Working with Mile High United Way, these kits were distributed throughout the Denver community school district and the Hope Center to elementary-aged children.

**YOUTHCAN INITIATIVE INNOVATION CHALLENGE**

Principal® Foundation collaborated with the Financial Health Network to create the Principal Foundation YouthCan Initiative Innovation Challenge. The goal of this challenge was to support organizations such as innovative nonprofits and social enterprises working to tackle the financial challenges facing young people today.

In 2020, the two winners of the challenge saw more **1,200** users of their platforms, many of them from lower- and middle-income backgrounds.

**YOUTHCAN SUMMIT**

Principal® Foundation conducted a study to uncover the financial struggles and headwinds facing young people, ages 15 to 36, in the United States. To provide deeper insight on the view of low- to moderate-income individuals, a survey of **2,400** young respondents was conducted.

The results of our 2020 study, Youth Finances in the U.S.: Stories of adversity and hope, were released to the public in a YouthCan Summit attended by more than **90** participants.

The study found that half of young Americans say they’ve already hit rock bottom financially and that they can find themselves overwhelmed by debt before age 30. Much of this overwhelming debt was disproportionately experienced by women and African-Americans in the study.

This led Principal® Foundation to make a strategic national investment with Jobs for America’s Graduates (JAG), guided by the study’s finding that interventions at the moment of financial decision are key to youth’s financial stability.

While the scope of the grant expanded to include considerations for virtual learning, the primary goal of the investment remains the creation and execution of just-in-time financial education curricula for JAG National participants as they’re starting a new (often first-time) job.



# About our 2020 report

We began publishing a Corporate Social Responsibility (CSR) report more than 19 years ago. For the past seven years, we've produced our CSR annually for release on [our website](#). Please note this report includes data and activities from our global operations for calendar year 2020. Unless otherwise noted, all data is accurate as of December 31, 2020.

This report has been prepared in accordance with the Global Reporting Initiative ([GRI](#)) and the Sustainable Accounting Standards Board ([SASB](#)) standards and in alignment with United Nations SDGs and the Task Force on Climate-Related Financial Disclosures ([TCFD](#)).

For full further information and reporting resources, visit our website [here](#).

Contact Us:

**Corporate Social Responsibility**

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SVP & Chief Marketing Officer

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# Important information

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must stay connected to what matters.”*

- Dan Houston  
Chairman, President,  
and CEO



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