

Relatório de *Stewardship*

Referente a 2021

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Relatório 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 ASG. 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 2021 a Principal manteve o foco nas práticas e compromissos de investimentos responsáveis. Vide Anexo II 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 buscou 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 buscou, dentre outros objetivos, aderir aos seguintes princípios:

- i) Implementar e divulgar Programa de Stewardship
- ii) Implementar e divulgar mecanismos de administração de conflitos de interesses
- iii) Considerar aspectos ASG nos seus processos de investimento e atividades de stewardship
- iv) Monitorar emissores de valores mobiliários investidos
- v) Ser ativos e diligentes no exercício dos seus direitos de voto
- vi) Definir critérios de engajamento coletivo
- vii) Dar transparência às suas atividades de stewardship

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.

Implementação e divulgação do Programa de Stewardship

Engajamento e transparência

A Claritas mantém uma estrutura de governança corporativa para promover o tratamento adequado do Programa de Stewardship, bem como seus objetivos,

monitoramento e proposição de melhorias.

Em 2022, a Claritas constituiu um Comitê interno de ASG para tratar dos assuntos relativos ao Programa de Stewardship e conta com o comprometimento da liderança para garantir os recursos necessários para a implementação e aprimoramento dos princípios. Os membros deste comitê são:

- Ernesto Leme - *Chief Commercial Officer* Claritas;
- Helder Soares - *Chief Investment Officer* Claritas;
- Cassiano Morelli – Diretor/Portfolio Manager de Produtos Alternativos Claritas;
- Thiago Fidalgo – Diretor de Risco e Compliance
- Damont Carvalho - Portfolio Manager Macro;
- Eduardo Morais – Portfolio Manager Equities;
- Bárbara Rejani – *Head of Legal*.

A frequência das reuniões será, ordinariamente, semestral podendo contar com reuniões extraordinárias. Os materiais utilizados para discussão do Comitê são formalizados e arquivados internamente.

Ressaltamos que, até o final de 2021, os assuntos relativos à aderência do Programa de Stewardship no que se tratava aos fundos de investimento eram abordados no Comitê de Investimentos.

Importante mencionar que a Claritas fornece aos colaboradores uma política de benefícios onde os colaboradores podem postular o subsídio de cursos e treinamentos, incluindo de assuntos voltados a responsabilidade socioambiental. Adicionalmente, parte dos membros do Comitê fazem parte de conselhos e grupos de trabalho em busca de engajamento e conhecimento na área.

Relatório

O presente relatório visa demonstrar as implementações e aprimoramentos das diretrizes, dos princípios, deveres e responsabilidades do Programa de *Stewardship* aderido pela Claritas e faz parte do processo de avaliação, monitoramento de metodologia e evolução nas atividades de *stewardship*.

Além disso, visa dar transparência às atividades realizadas em relação ao Código AMEC. Anualmente, o relatório será revisto e circulado internamente, além de ser divulgado no website da Claritas e 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 ao Programa de *Stewardship*.

Implementação e divulgação dos mecanismos de 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 Resolução 44/21, 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.

Política de melhor execução e seleção de corretoras

A Claritas gere fundos privados e carteiras de investimento para seus clientes. A Claritas adotou 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 da Claritas, e fornece a supervisão para a gestão de carteiras na adesão dos objetivos do investimento, diretrizes e estratégias. Os Comitês 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 numa base periódica e sistêmica. Isso pode incluir:

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

Processo de contratação de terceiros em nome dos fundos

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 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.

Em 2022, em linha com o Código de ANBIMA, a Claritas formalizou a Política de Prevenção e Gestão de Conflito de interesses em FIP's, bem como a Política de Contratação de Terceiros em nome dos FIP's, quando aplicável.

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>

Administração de Potencial Conflito de Interesse no Programa de Stewardship

Para garantir que a área responsável pela implementação do Programa de Stewardship na Claritas esteja blindada contra potenciais conflitos de interesse, a empresa instituiu um Comitê interno de ASG que também tratará dos assuntos relativos ao programa, que conta com os principais líderes e executivos da empresa, bem como com a área de Compliance, que se reporta de forma independente ao Comitê Executivo da Claritas e

à Principal Global Investors.

Caso haja alguma situação que possa ser configurada como conflito de interesse na empresa, todos os colaboradores são orientados a contatarem o Diretor de Risco e Compliance, que poderá levar o assunto em questão para apreciação do Comitê de Risco e Compliance.

Importante ressaltar que os processos e procedimentos adotados pela Claritas para a mitigação e gestão de potenciais conflitos de interesses ficam disponíveis no seu formulário de referência anual, que fica acessível através do website da Claritas e da CVM.

Considerações de Aspectos ASG nos processos de investimento e atividades de Stewardship

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, como por exemplo:

- 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.

Ambiental	Social	Governança corporativa
Conservação do mundo natural	Consideração de pessoas e relacionamentos	Padrões para administrar uma empresa
<ul style="list-style-type: none"> ● Uso de recursos naturais ● Emissão de carbono ● Poluição do ar e da água ● Tecnologia limpa ● Mitigação e adaptação às mudanças climáticas ● Proteção da biodiversidade ● Desmatamento ● Eficiência energética ● Gestão de resíduos ● Escassez de água 	<ul style="list-style-type: none"> ● Políticas e relações de trabalho ● Satisfação do cliente ● Privacidade e segurança de dados ● Políticas de inclusão, gênero ou diversidade ● Engajamento dos funcionários ● Relações comunitárias ● Respeito aos direitos humanos ● Normas trabalhistas ● Oportunidades de treinamento e desenvolvimento ● Gerenciamento da cadeia de suprimentos ● Trabalho análogo ao escravo ou infantil 	<ul style="list-style-type: none"> ● Estrutura, composição, independência e diversidade do conselho ● Estrutura do comitê de auditoria ● Honestidade fiscal ● Combate a corrupção e suborno ● Remuneração executiva ● Lobbying ● Contribuições políticas ● Esquemas de denúncias ● Estrutura para denúncias de irregularidades ● Controles internos e gerenciamento de riscos ● Ética e transparência

Fonte: Guia ASG-II ANBIMA 2021

Aspectos ASG no Processo de Investimento

Em linha com o Guia ASG-II 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, auxiliando na identificação e monitoramento dos principais riscos dos fatores ambientais e dos aspectos sociais.

Desta forma, 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):

- *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, alcóolico, bélico, 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 Alternativos, sendo que a decisão pela aquisição de ativos e o estabelecimento de limites para as contrapartes é 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:

Florestas do Brasil FIP Multiestratégia

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).

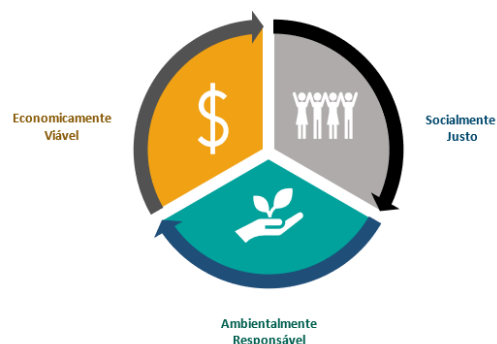
As boas práticas de governança são consideradas desde a concepção e estruturação do Fundo de Investimentos e Participações (FIP), constando no regulamento as linhas gerais para gestão do mesmo, com as respectivas obrigações e direitos dos principais envolvidos (Administrador; Gestor; Distribuidor; Cotistas; 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).



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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, condições de trabalho e práticas relacionadas à segurança e saúde ocupacional, que possibilitam tratar proativamente com condições adversas como a recentemente vivenciadas na pandemia do Covid;
- 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 CO² 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 CO² na atmosfera é uma das principais causas do problema.

Claritas Timber FIP

Em 2021, a Claritas lançou o fundo Claritas Timber FIP Multiestratégia, que tem em suas companhias investidas objeto social que permite o investimento em florestas de eucalipto e/ou outras espécies, investimentos em área florestal que produz madeira para processamento industrial ou outros fins: plantio, manutenção e comercialização de florestas e/ou produtos florestais correlacionados; investimento em propriedades rurais para plantio florestal mediante arrendamento, parceria rural e/ou aquisição de terras e florestas.

Conforme estipulado no próprio regulamento do fundo, as companhias investidas e suas controladoras operacionais têm a obrigação de possuir ou comprometer a buscar certificação florestal junto ao FSC ou outro de equivalente notoriedade. A busca por tal certificação voluntária de manejo florestal internacional demonstra o compromisso com o tripé de sustentabilidade que faz parte da tese de investimento do fundo:

Boas Práticas de Governança	Ações Socialmente Justas	Responsabilidade Ambiental
<u>Transparência e ética:</u>	<u>Relacionamento nas Comunidades</u>	<u>Mitigação de Efeitos Climáticos</u>
<ul style="list-style-type: none">• Políticas Socioambientais• Código de Ética	<ul style="list-style-type: none">• Geração de Emprego/Renda• Projetos Sociais (apicultura...)	<ul style="list-style-type: none">• Sequestro de Carbono• Redução do Aquecimento Global
<u>Gestão dos ativos:</u>	<u>Condições Dignas de Trabalho</u>	<u>Cuidados Ambientais</u>
<ul style="list-style-type: none">• Quadro Técnico Experiente• Custos Competitivos• Procedimentos Técnicos• Retorno Atrativo	<ul style="list-style-type: none">• Procedimentos de Saúde• Segurança Ocupacional• Responsabilidade/ Salubridade para os colaboradores	<ul style="list-style-type: none">• Conservação de Ecossistemas• Separação de Resíduos• Uso Responsável de Defensivos Florestais

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.

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.

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.

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.

Como será detalhado adiante nos itens “Critérios de Engajamento Coletivo” e “Política e Procedimentos no Exercício dos Direitos de Voto”, a Claritas tem interação próxima e contínua junto aos emissores de valores mobiliários que possuem posição acionária pelos fundos sob sua gestão.

Critérios de Engajamento Coletivo

A Claritas participa ativamente das assembleias dos emissores de valores mobiliários detidos pelos fundos e tem envolvimento nas discussões sempre que há preocupação com a higidez do ativo e/ou da empresa. Como exemplo, podemos mencionar as participações expressivas nas assembleias gerais de cotistas e, nos fundos que tem posição de Crédito Privado, nas assembleias gerais de debenturistas também há envolvimento e engajamento junto aos demais debenturistas investidores em busca do melhor resultado para os investidores finais.

Importante mencionar o ativismo amigável, que faz parte do engajamento coletivo da Claritas junto às empresas investidas:

- Executivos da Claritas já ocuparam assento no conselho de 8 empresas listadas

- O principal objetivo é gerar valor para todos os acionistas
- Foco na comunicação com o mercado, transparência, planejamento financeiro e estratégia de negócios
- O ativismo não interfere na disciplina do desinvestimento
- Além das empresas nas quais assume posições diretas no conselho, também são feitas parcerias com outros acionistas ativistas para eleger representantes minoritários em mais de 30 empresas

Adicionalmente, no caso de evidente quebra do dever fiduciário por alguma companhia investida, a Claritas já representou os fundos em dois processos arbitrais em face de tais companhias com o objetivo de que os investidores finais não sofreram perdas decorrentes da desvalorização das ações da companhia e sejam indenizados.

Política e Procedimentos no Exercício dos Direitos de Voto

A Claritas revisa periodicamente 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 2021, a Claritas representou seus fundos nas assembleias de mais de 70 empresas. A maior parte da representação foi feita por meio de Boletim de Voto à Distância (BVD), mas também contou com outros meios, como a participação virtual e mediante procuração.

Em 2022, até o final de abril, a Claritas participou de cerca de 140 assembleias (entre ordinárias e extraordinárias). Para tanto, a Claritas submeteu mais 1.200 BVD, mantendo o mesmo alto nível de representação quando comparado ao ano passado.

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.

Importante mencionar que os votos enviados são alinhados entre as áreas de Compliance e gestão, de forma que se busca refletir as decisões mais benéficas aos investidores minoritários.

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. Os investidores podem obter também o resumo dos votos feitos pela Claritas na assembleia através do site www.claritas.com.br/justificativa-de-voto/

Demais 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

O Claritas Solidária é um programa de voluntariado da Claritas, criado em 2016 em parceria com a Junior Achievement São Paulo. No projeto, colaboradores da empresa participam ministrando aulas de educação financeira e mundo dos negócios para alunos de escolas públicas do ensino médio e fundamental, na cidade de São Paulo.

Em 2019, a Claritas e a JA lançaram o app “Meu Dinheiro Meu Negócio”, um jogo criado para complementar as aulas e incentivar ainda mais a participação dos jovens em sala. Em 2022, o jogo foi relançado com nova roupagem, dando aos alunos a oportunidade de continuar o aprendizado fora das classes.

Quase 10 mil alunos já foram beneficiados pelos projetos que contam com a participação dos colaboradores da Claritas e demais parceiros, que se voluntariaram nessa causa tão significativa para a vida dos jovens.

O game “Meu Dinheiro Meu Negócio” está disponível na Apple Store e no Google Play e já acumula mais de 6 mil downloads. O game ganhou grande destaque na mídia, nas primeiras semanas de lançamento ficou no top 10 de jogos na categoria educação na Apple Store e é um dos seis finalistas mundiais na categoria *Big Impact* de melhor jogo

educacional do Big Festival de 2022.

Durante a pandemia, em 2021, a Claritas continuou o desenvolvimento deste projeto, ministrando aulas de forma remota, e chegando em jovens de outras cidades do estado. Para saber mais sobre o programa e ouvir a opinião de alunos que já participaram do projeto, vide o Anexo I e visite: <https://www.claritas.com.br/claritas-solidaria/>.



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

RELATÓRIO PARCIAL 2021



JA São Paulo

Membro da JA Brasil

#Impulsionandofuturosdevalor

MEU DINHEIRO, MEU NEGÓCIO

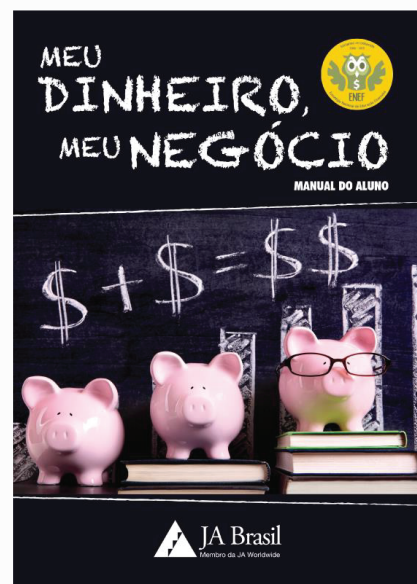
Claritas Solidária



#Impulsionandofuturosdevalor

SOBRE O PROGRAMA

O Meu Dinheiro, Meu Negócio é um programa de educação financeira. O objetivo é desenvolver nos estudantes do Ensino Médio habilidades para lidar com o dinheiro e estimulá-los à conscientização da importância de ampliarem seus conhecimentos em finanças, e a se prepararem para enfrentar os obstáculos proporcionados pela busca de uma vida financeira saudável.



APLICATIVO:

Utilizado como forma de complementar o entendimento dos alunos sobre finanças.



**MEU DINHEIRO,
MEU NEGÓCIO**

**PARCERIA QUE
IMPULSIONA FUTUROS**



Claritas
A Principal® company



 **JA São Paulo**
Membro da JA Brasil

JA

RESULTADOS ALCANÇADOS



RESULTADOS ALCANÇADOS AÇÕES COM VOLUNTÁRIOS

2016

1.028 alunos
65 participações
voluntárias
34 turmas

2018

72 alunos
2 turmas

2020

964 alunos
38 (13 Claritas)
participações
voluntárias
46 turmas



2017

865 alunos
78 participações
voluntárias
32 turmas

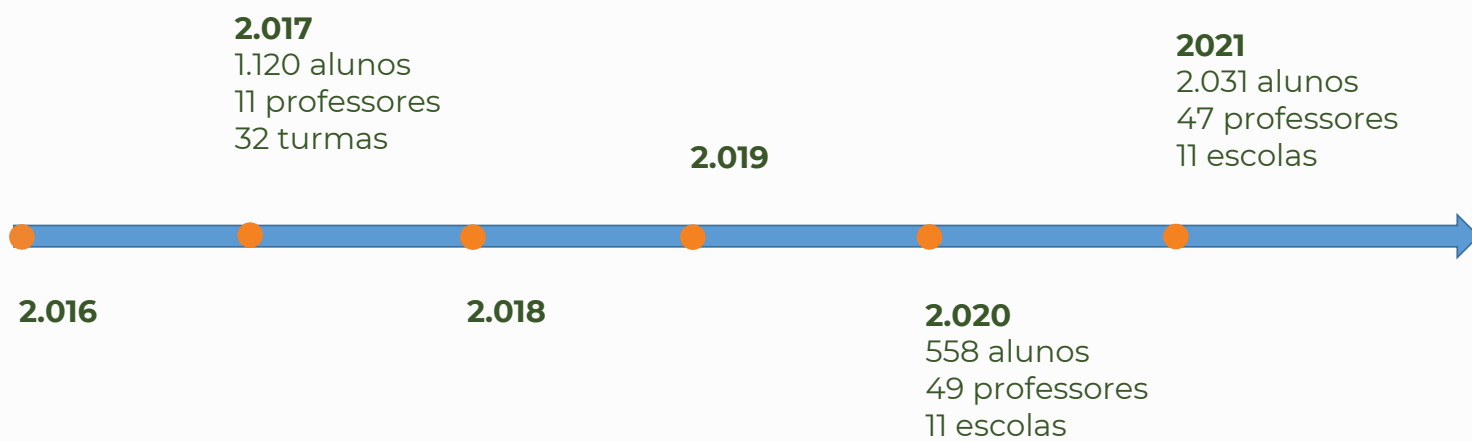
2019

448 alunos
24 (16 Claritas)
participações
voluntárias
15 turmas

2021

2.583 alunos
63 (18 Claritas)
participações
voluntárias
44 turmas

RESULTADOS ALCANÇADOS AÇÕES COM PROFESSORES



IMPACTO DA PARCERIA – 2016/2021



9.669
Alunos
Beneficiados



268
Participações
Voluntárias



107
Professores

2016



2017



2018



2019



2019



2020

MEU DINHEIRO MEU NEGÓCIO



Orçamento e Balanço Pessoal

Por que é importante que se aprenda a administrar o dinheiro?



TIPOS DE EMPRÉSTIMO

- Cartões de crédito;
- Cheque especial;
- Empréstimo sem garantia;
- Empréstimo com garantia;
- Financiamento imobiliário;
- Financiamento de automóvel.



JA São Paulo
A Principal Company

REGRAS DE OURO

Regra de Ouro #5: Investimento bem-sucedido depende de quão bem você se conhece e conhece seus objetivos. Quando pensar em investir, diversifique. Nunca aplique todo seu dinheiro destinado para ações em uma ação apenas.

- Não invista todo seu dinheiro no mercado imobiliário.
- Tenha a certeza de que seu investimento terá liquidez quando você precisar de dinheiro.



Regra de Ouro #6: Se um investimento parece bom demais para ser verdade, só parece.



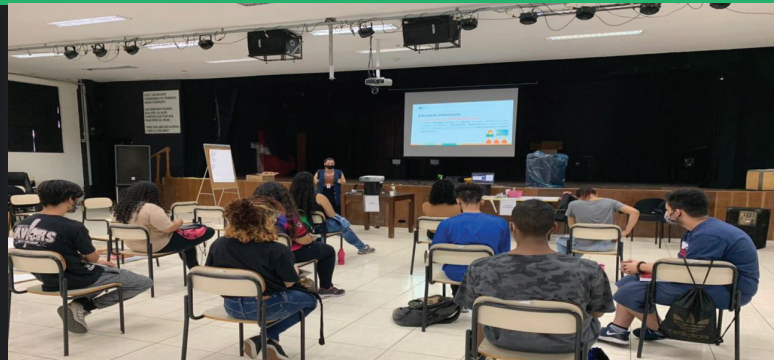
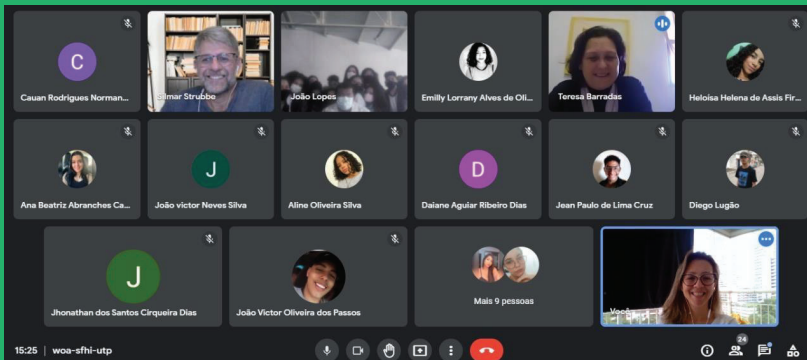
Investimentos

Quais tipos de investimentos vocês conhecem ou já ouviram falar?



Treinamento MDMN - Vol... (25/38)

2021



A screenshot of a Zoom meeting grid. The grid shows 4 participants: Amanda, Daniela Müller, Kamila Carvalho, Rafael, and Juan. The main focus is a presentation slide titled "TIPOS DE EMPRÉSTIMO" (Types of Loans). The slide lists the following types of loans:

- Cartões de crédito;
- Cheque especial;
- Empréstimo sem garantia;
- Empréstimo com garantia;
- Financiamento imobiliário;
- Financiamento de automóvel.

The slide also features a graphic of two money bags, one green with a dollar sign (\$) and one orange with a euro sign (€), and the logo "JA".

A screenshot of a Zoom meeting grid. The grid shows 4 participants: Amanda, ALINE ALVES RAMOS, Convidado 01, and CO. The main focus is a presentation slide titled "SOBRE O PROGRAMA" (About the Program). The slide contains the following text:

O Meu Dinheiro, Meu Negócio é um programa de educação financeira. O objetivo é desenvolver nos estudantes do Ensino Médio habilidades para lidar com o dinheiro e estimulá-los à conscientização da importância de ampliar seus conhecimentos em finanças, e a se prepararem para enfrentar os obstáculos proporcionados pela busca de uma vida financeira saudável.

The slide also features a graphic of a book titled "MEU DINHEIRO, MEU NEGÓCIO" and the logo "JA".

On the right side of the screen, there is a chat window titled "P e R de evento ao vivo" (Q and A of the live event). The chat shows several messages from participants, including "Boa noite" and "Boa noite!".

| CONTATO JA

SHERRINE MENDES
COORDENADORA DE PROJETOS
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jabrasil.org.br/sp



[/juniorachievementsaopaulo](https://www.facebook.com/juniorachievementsaopaulo)



[@jasaopaulo](https://www.instagram.com/jasaopaulo)



[/juniorachievementsaopaulo](https://www.linkedin.com/company/juniorachievementsaopaulo)

OBRIGADA!



Anexo II

*Building
a better
future*

2021
Sustainability
Report



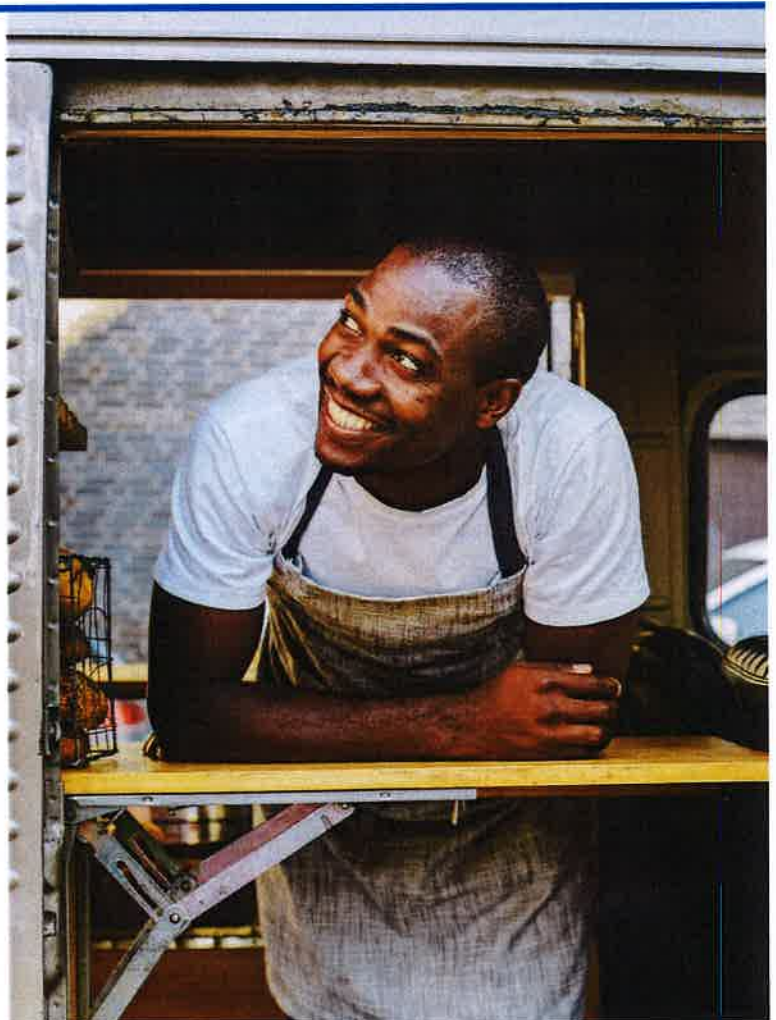
Our purpose

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® meets people where they are on their financial journey, understanding their progress, possibilities, and hurdles—then offering choices for a clear path forward.

We're committed to expanding the population of those living in financial security.

We are driven to help more people around the world 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 comprehensive approach to sustainability. In this report we will highlight our specific commitments to sustainability and the progress we've made in 2021. We recognize and lean into the understanding that our sustainability journey is one that's focused on progress over perfection, and we will continue to adapt our environmental, social, and governance (ESG) efforts to the changing needs of the world around us.



Letter from our CEO

In April we set multiyear corporate responsibility commitments as part of our environmental, social, and governance (ESG) strategy. These clearly defined measures demonstrate how we're contributing to a more inclusive and sustainable world while continuing to build strength across our businesses for the benefit of all stakeholders.

I believe the measure of a successful company goes beyond a strong bottom line.

I believe the measure of a successful company goes beyond a strong bottom line. It's about building on our proven business fundamentals to deliver strong results for our stakeholders, while finding innovative ways to make a meaningful difference in the world. As a global financial services company, we have a unique opportunity to accomplish both.

Guided by our core values, we stay true to our purpose—to help more people and businesses around the world gain access to education and resources that can help them make financial progress and become more financially secure.

Standing up for what we believe in has always been a priority at Principal. We're focused on:

- **Taking care of people**, as an advocate for security and inclusion among employees, customers, and community.
- **Taking care of our environment**, by creating sustainable practices through long-term responsible actions.

We're closely tracking social, environmental, and demographic changes that include longer lifespans, income and wealth gaps, environmental challenges, and opportunities to expand global access to the financial system across all segments of the population. As a global leader in retirement, insurance, and investments, we strive to act in a way that improves the wealth and well-being of all people and our planet.

This is who we are, and it's more critical than ever, as consumers increasingly seek out companies with values that align to their own.

Knowing how important sustainability is to our stakeholders, I'm proud to share that at the outset of 2022, Principal was named one of Barron's "100 Most Sustainable Companies," landing seventh on the list—a



Dan Houston
Chairman, President, & CEO

Letter from our CEO (continued)

jump of 59 spots from our 2021 ranking. The Barron's ranking system looks at ESG performance indicators like workplace diversity, data security, and greenhouse gas emissions, as well as how the company performs for shareholders, employees, customers, communities, and the planet.

Holding ourselves accountable

Throughout this report, you'll learn more about our progress toward the corporate responsibility commitments we made last year. So many of our over 18,000 employees play a role in this work and take great pride in it because they believe in doing the right thing.

We remain steadfast in ensuring we make a positive impact—advocating for security and inclusion today, to create opportunities for future generations tomorrow.

For our employees, we're

- creating and maintaining a work environment based on integrity, respect, and trust—enabling employees to contribute to their full potential and to do their best work for our customers.
- building an inclusive workforce and work environment to help us attract talent, increase employee engagement, and develop the next generation of leaders.
- prioritizing the health, wellness, and satisfaction of our employees while embracing a flexible work approach that enables them to integrate life and work based on their unique needs and job responsibilities.

For our customers, we're

- creating accessible products and inclusive services to meet them where they are and in ways they choose to interact.
- offering sustainable products and services through responsible investments aligned to the United Nations Sustainable Development Goals (U.N. SDGs).

For our communities, directly and via the Principal® Foundation, we're

- providing financial support to underrepresented groups, like small and midsize businesses owned by women and people of color, and programs that enable access to education, microfinance, and community networking.
- strengthening our pledge to be a responsible steward of the environment. We insist on environmentally responsible behaviors by our company, our employees, and our services-focused business partners.

Principal stands by our belief that business can thrive financially for the benefit of all stakeholders, while also putting our ingenuity and resources to work to address the most significant challenges facing humanity and the environment. We're proud of the results we've achieved and excited about what's next.



Dan Houston
Chairman, President, & CEO

2021 Sustainability highlights

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



Environment

Create sustainable pathways through long-term responsible actions.

6.5%* emissions reduced

Net reduction in our U.S. scope 1 and market-based scope 2 greenhouse gas (GHG) emissions of 6.5% from 2020 to 2021

61%* renewable energy

Approximate percentage of energy consumed in the U.S. from renewable sources

4-star global ESG benchmark

The global ESG benchmark rating for real estate, awarded to Principal Real Estate Investors for the 6th consecutive year



Social

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

\$30 million for economic mobility

The amount the Principal® Foundation has committed over the next two years to support economic mobility and financial empowerment

79% employee engagement

Employee engagement due to flexible workplace arrangements and overall job satisfaction

31,554 microloans

The number of microloans provided to female entrepreneurs in 35 countries, together with the 501(c)(3) [Kiva](#), increasing access to capital



Governance

Be a good steward of the resources entrusted to us.

New human rights statement

Publicly demonstrating our commitment to respect and support human rights principles

U.N. Global Compact CFO Task Force

Joined to support companies transitioning to sustainable development and to leverage corporate finance and investments toward the U.N. SDGs

8 out of 13 (62%)

Board of Directors members who are either women or people of color



Investment approach

Drive impact through our investments.

Sustainability bond

Issued our first in the amount of \$600M as part of our commitment to integrate and advance ESG practices and initiatives

ESG integration

Principal Global Investors formalized the ESG Integration strategy and began mapping assets under management (AUM) to the U.N. SDGs

Four Article 8 status products

The number of products converted to Article 8 status, a regulatory process in Europe that labels products that promote social and environmental characteristics

*2021 greenhouse gas emissions and energy consumption values will be verified in Q2 2022, and final figures will be disclosed in the COP26 Data represents U.S. figures only

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

COVID-19 care & response



Employees

- Our world headquarters remained open throughout 2021. We continued to monitor the external environment and adjusted our COVID-19 protocols when changes were warranted, which included responding to local masking and vaccination mandates in some of our locations. Additional offices around the world opened as conditions warranted in-person work arrangements.
- We recommended employees get vaccinated and provided time off for them to do so (and recover from side effects if needed). We arranged vaccination clinics for employees and their families in several office locations, including our largest offices in both the U.S. and India.
- We empowered our U.S. employees to discuss with their leaders the best work arrangement for them going forward—embracing flexibility through three options: in-office, hybrid, or full-time remote. We were not prescriptive about the number of days required to work hybrid. Our locations outside the U.S. are using consistent, regional guidance to inform their new normal on a timeline conducive to their external environment.
- Employee confidence in how we're managing through the pandemic remained high (80%+) around the globe all year.
- In the U.S., as we moved to establish new working arrangements, 85% of leaders expressed high confidence in those new arrangements, and 86% were confident in how we're working as an organization.
- To assist with the transition to our new normal, we launched an intranet hub of resources for employees and leaders. We also offered more than a dozen live sessions to answer questions and talk through scenarios to help ensure a smooth transition for both employees and leaders.
- We continued our temporary pay policy to ensure employees are paid if they miss work due to COVID-19.
- We shared best practices across our global locations, understanding that while we're all in different places, we can learn from each other's experiences by sharing insights and recommendations.



Customers

- We continued to operate through the pandemic in more than 80 nations and territories.
- We continued to help business owners navigate the array of relief programs set up to assist them—with tools and resources to help them evaluate options and case studies of other businesses managing similar situations. Our [Business Needs Assessment](#) identified best practices recommendations to help them protect their business, employees, and personal financial security.
- We temporarily halted rate increases for employers who hold group benefits.
- We conducted proprietary research among our customers (plan sponsors and participants) to monitor and respond to pandemic-related financial security trends and sentiments.
- We provided business owner and employer clients with education on the mental health impacts of COVID-19 and offered them ideas of ways they could support employees. We also expanded mental health resources for group benefits customers.





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Our business

We're a global leader that helps growing businesses, individuals, 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 long-term stakeholder value.

WHAT WE DO

Founded in 1879 as a small life insurance company in Des Moines, Iowa, we've become a strong global leader in retirement, long-term savings and asset management, while expanding our insurance business. Twenty years ago, Principal debuted as a public company. Since the IPO, our assets under management have soared to more than six times their 2001 level, and our customer count has nearly quadrupled. Today, we're a member of the FORTUNE 500[®], serving 51 million customers in more than 80 nations and territories. Our common stock trades on Nasdaq Stock Market under the ticker symbol of PRG. Read more: [2021 Annual Report](#) (PDF) and [10K](#) (PDF).



For Principal Life Insurance Company* and Principal National Life Insurance Company

"A+" Superior

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

"A1" Good

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

"AA-" Very strong

Fitch Ratings:
Fourth highest of 19 rating levels

"A+" Strong

S&P Global:
Fifth highest of 20 rating levels

*Third-party ratings relate to the issuer companies only; we do not file any ratings actions or notices relating to the U.S. life insurance sector generally. Ratings are not a recommendation to buy, sell, or hold a security. Ratings are subject to revision or withdrawal at any time by the assigning agency, and each rating should be evaluated independently of any other rating. Information is current as of the creation of this piece. Keep in mind that gold four ratings are subject to withdrawal as of March 2022.

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

- retirement plans—401(k), 403(b), defined benefit, nonqualified deferred compensation,
- IRAs—rollover, traditional, Roth,
- estate planning and personal trusts, and
- mutual funds.



Businesses

Helping employers set themselves, their employees, and their business up for success with employee benefits and a range of business owner and executive solutions including:

- group insurance—dental, vision, life, accident, critical illness, and income protection,
- owner and key employee benefits,
- employee retirement plans—defined contribution, defined benefit, nonqualified deferred compensation, employee stock ownership plans, trust and custody, and
- business planning and protection solutions.



Institutions

Helping institutions meet financial goals through specialized investment portfolios, customizable strategies, and long-term savings and pension solutions including:

- long-term savings and pension (voluntary and mandatory),
- group employer-paid and voluntary insurance products, and
- investment management—equities, real estate, fixed income, alternatives, multi-asset.

Everything we do ladders up to one goal: growing financial security

Our businesses

U.S. Insurance Solutions

We help businesses and individuals grow and protect their assets and enable them to live their best lives through a broad range of solutions including life and disability insurance, business owner solutions, nonqualified deferred compensation, and group employer paid and voluntary solutions.

Principal International

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

Principal Global Investors®

We meet the needs of institutional, retirement, and retail investors globally by providing investment management expertise, products and solutions, and digital tools and resources across a broad range of capabilities and investment vehicles.

Retirement and Income Solutions

We help people save enough, protect enough, and have enough in retirement through a range of savings solutions including annuities, IRAs, employer-sponsored retirement plans, pension risk transfer, trust and custody services, and investment-only solutions.

Our ESG strategy

Purpose is the intersection of the business you are in, the impact you make, and the change you ignite.

Principal has a clear purpose: to foster a world where financial security is accessible to all. We are committed to increasing the number of people reaching financial security around the globe. This purpose guides us as we work with customers, investors, communities, and employees. We remain dedicated to our commitments to corporate sustainability and the social, environmental, and economic impact we have on our stakeholders.

In 2021, through the ongoing efforts of our ESG Task Force, we solidified our strategic pillars and announced multiyear corporate responsibility commitments focused on employee empowerment, financial inclusion, and sustainability. We made considerable progress on integrating our ESG commitments into our ongoing business operations, strategy, and decision-making, managing the challenges and barriers for these commitments. In 2022, we will work to further develop and refine our roadmap.

We developed our ESG strategies in alignment with several of the United Nations Sustainable Development Goals (U.N. SDGs). The U.N. SDGs

are an urgent, universal call to action to end poverty, improve health and education, reduce inequality, and spur economic growth.

Principal Financial Group remains committed to advancing progress toward our ESG goals. In 2021, we continued to monitor employee engagement and satisfaction through the Engagement Index, Inclusion Index, Diversity Index, and other formal and informal mechanisms. Principal Financial Group launched its first Sustainability Bond and expanded its ESG investment philosophy, ESG investment criteria, and ESG investments.

ESG Vision

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

ESG Approach

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

While our core belief has always been that good business is about people, good business is also about putting our words into action and making a positive impact on the world around us.



Macrotrends



Climate change

As investors, we understand the impact our investment decisions can have on global warming. Our ESG approach guides these investment decisions, enabling us to contribute to reducing greenhouse gas emissions, while still seeking to drive the best outcomes for our customers.

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



Future of work

Technology and digitalization have been redefining working practices, a trend very much set to continue in the era of big data, artificial intelligence (AI), and cloud computing.

Attitudes to work are also shifting. Millennials and Gen Zers are looking for greater alignment between their careers and personal values, and ESG will play an increasingly important role in determining career decisions. This more selective workforce will look for greater flexibility, autonomy, and control in their careers.



Growing mass and mass-affluent segments in emerging markets

The rapid urbanization of the planet is seeing the migration of populations from rural settings and into developed towns and cities. As a result, education levels are increasing, particularly in emerging markets, and countries have seen growing mass and mass-affluent segments.

Growing our business in these markets provides us with an opportunity to meet new customers, understand their cultures and customs, and adapt our products and services to their needs.



Aging global population

Life expectancy and time spent in retirement is increasing, having a financial plan in place has never been more important.

As a retirement and pension plan service provider, we have a responsibility to share our global expertise by advocating for sustainable and accessible retirement and savings policy design. We are committed to helping more individuals over this longer time frame so retirement represents an exciting new chapter—one free from financial anxiety and insecurity.

Principal has a global footprint, with products and services that help make financial security accessible for millions around the world. This requires us to stay abreast of macro shifts that influence the consumer's ability to access financial security, as well as those that influence how we conduct business in the places we operate.



Macrotrends (continued)



Growing income inequality

Though poverty has been in decline for many years now, the rate of decline notably slowed with the onset of the pandemic¹ and the wealth gap grew,² illuminating fundamental inequities in society.

The pandemic has left some families on the brink of poverty and demonstrated just how fragile financial security is for many. Governments haven't been able to provide for everyone, with many families left to secure their own financial well-being.

We invest in actions that contribute to broadening accessibility to financial inclusion through product access, microfinance, economic development, and financial education.



Companies leading on ESG measures

As part of the Sustainable Development Goals, the U.N. clearly states the expectation that companies shift from a compliance stance to a greater emphasis on value creation.

This is why Principal is on a journey to lead the sustainability agenda and set the standard for a purpose-led company in our sector. In the years ahead, we will continue our effort to democratize financial security so that it's attainable for all.

¹<https://blogs.worldbank.org/opeddata/global-poverty-reduction-slowing-regional-trends-help-understanding-why>

²<https://inequality.org/facts/wealth-inequality/>



Financial inclusion

At Principal, our long-term vision is financial security for all. But before one can reach financial security, they first must have access to foundational financial services: education, systems, products, and advice that helps meet their short- and long-term needs. Unfortunately, access to well-developed financial resources is not readily available in all parts of the world.

That's why we've made the intentional decision to focus on financial inclusion—one of the first and most vital steps toward greater financial security. Financial inclusion is at the core of global progress.

When it comes to financial inclusion, developing clear and consistent measures of progress matters. It's not just about good intentions—but about understanding the realities of the situation as well as setting goals and accountability.

In 2022, Principal will launch the Global Financial Inclusion Index (GFII), in collaboration with the Centre for Economics and Business Research, which will track financial inclusion on a market and sector basis through a scoring system and associated analysis. This comprehensive research initiative will evaluate the degree to which governments, employers, and financial systems promote financial inclusivity in more than 40 markets, as well as track related consumer perspectives. We'll inspire action by providing unique, comprehensive data-driven insights.

Our sustainability commitments

A comprehensive approach to align business decisions, values, and ethics with ESG considerations.

We are taking action, making progress, and driving outcomes for a more diverse, inclusive, and sustainable world.

We remain focused on our corporate sustainability commitments:

- 1. Harnessing the power of our people:** We hold ourselves accountable to advance and support a work environment of integrity, respect, community, and trust. We track our progress through regular surveying and analysis of employee diversity, advancement, sentiment, and pay data. We're committed to leveling the playing field for individuals, with a focus on improving the employee experience and advancement of women and people of color.
- 2. Embedding sustainable practices:** We continue our focus on sustainability in how we go to market and serve our customers around the world. We're setting significant environmental goals for our company to combat the climate crisis and working to advance our commitment to sustainable sourcing.
- 3. Advancing inclusive products and services:** We're committed to doubling the number of diverse, small and midsized businesses we support by the end of 2025. The Principal[®] Foundation has committed \$30 million over the next two years to support economic mobility and financial empowerment, helping us deliver on our broad mandate to help more people and businesses gain access to financial systems and benefit from greater financial security.



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

Sustainability bond

Principal Financial Group issued our first sustainability bond on August 16, 2021, as part of our commitment to integrating and advancing ESG practices and initiatives. The bond—issued in the amount of \$600 million—will finance eligible initiatives such as green buildings, renewable energy, energy efficiency, sustainable water practices, clean transportation, pollution prevention and control, living natural resources, financial inclusion, health and education services, affordable housing, and socioeconomic advancement and empowerment.

This is a critical step in our journey to advancing our support of the U.N. SDGs and exemplifies our purpose: to make financial security accessible to all while doing right by our customers, communities, and the planet.

The Principal® Sustainability Financing Framework will help Principal live out our purpose of making financial security accessible to all while doing right by our customers, communities, and the planet.

[Learn more about our framework \(PDF\)](#)



“Principal is committed to being sustainable in our actions and solutions, and intentional in how we’re making progress toward our purpose,” says Deanna Strable, executive vice president and chief financial officer for Principal. “The issuance of a sustainable bond gives us an additional pathway to stimulate positive change in areas we believe we can have the greatest impact for the customers we serve and the communities where we work.”

Deanna Strable
Executive Vice President and
Chief Financial Officer for Principal

Principal was included in Fortune Magazine’s World’s Most Admired Companies of 2021 from 670 companies considered worldwide.

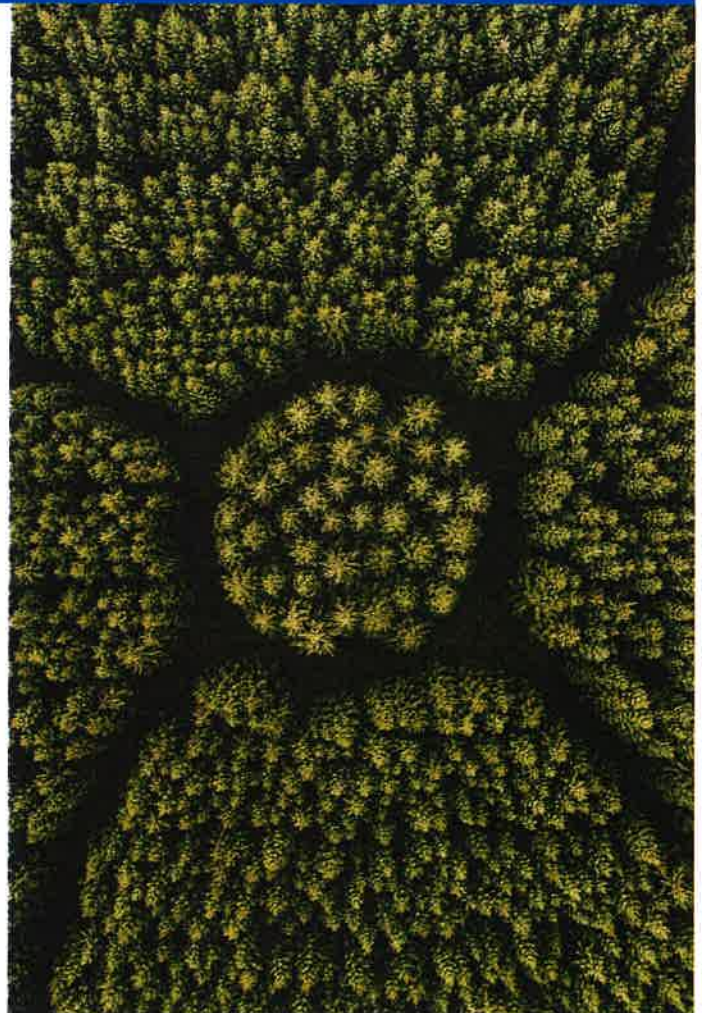


Materiality methodology

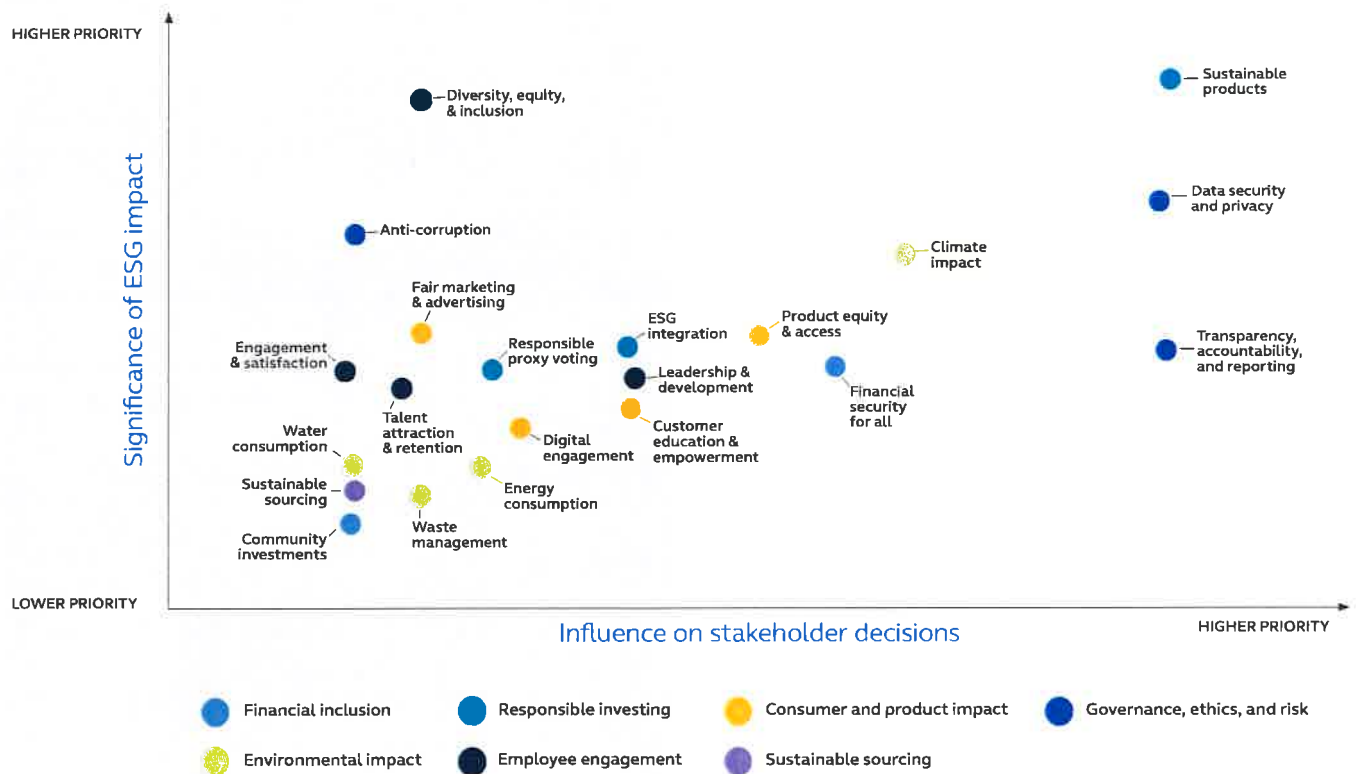
Two years ago, we went through a stringent evaluation process of our reporting landscape to review material ESG factors alongside developments in industry regulations, trending and emerging industry research, and shareholder resolutions on ESG topics. We checked these against industry peers, consulted area experts, and cross-referenced our reporting frameworks (Global Reporting Initiative (GRI), Sustainable Accounting Standards Board (SASB), Task Force on Climate-related Financial Disclosures (TCFD), and Climate Disclosure Project (CDP)). This year, we conducted a similar analysis to update and ensure our ESG strategy is informed by sustainability factors that are important to our stakeholders and contribute to positive social and environmental impact. In the context of our industry and areas of expertise, the following topics are material to Principal:

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

Within these focus areas are specific ESG topics that drive our sustainability targets, goals, and initiatives and are covered throughout this report. Refer to our [Materiality Matrix](#) on the next page for more detail.



Materiality matrix



ESG topics

Responsible proxy voting

Proxy voting is a means to voice our shareholder view to corporate management teams on important issues, including ESG-related topics. Principal undertakes all investment stewardship engagements and proxy voting with the goal of protecting and enhancing the long-term value of our clients' assets, which we believe includes ESG factors that enhance company value and mitigate risk.

ESG integration

ESG integration is the practice of incorporating ESG information into investment decisions to help enhance risk-adjusted returns, regardless of whether a strategy has a sustainable mandate. At Principal, part of our investment philosophy is to embed ESG integration into the fundamental analysis of the companies we invest in.

Sustainable products

Products impact society and the environment in a positive way and generate returns that allow Principal to create additional value for our clients. Our sustainable products are aligned to the United Nations Sustainable Development Goals.

Transparency, accountability, and reporting

Providing transparency into our business practices and sustainability strategy helps hold our organization accountable to a variety of stakeholders including our employees, customers, investors, the environment, and the community we serve. Accurate and accessible reporting of our financial and ESG metrics enables these stakeholders to make informed decisions regarding Principal.

Data security and privacy

It is critically important to protect the data security and privacy of our customers as well as our business. The right to protect one's personal data is a human right and the ability to protect our business from cyberattacks is our responsibility as fiduciaries of data.

Anti-corruption

Tackling corruption and abuse of the financial system is vital to ensuring we maintain the trust of our customers and the public. Preventing corruption requires strong corporate governance and employees that are trained in identifying corruption, such as money laundering, identity fraud, and market manipulation.

Climate impact

Our operations and products have a climate impact. At an operational level, we are monitoring our emissions from the buildings we own and operate as well as the carbon footprint of our supply chain. The climate impact of our products comes from the portfolio emissions of companies we own and/or manage on behalf of clients.

Energy consumption

The energy we consume comes from utility providers, most of which are still utilizing fossil fuel (although we are working with our providers to move toward a more renewable grid). Therefore, it's important to reduce our energy consumption in the buildings we occupy to help reduce our carbon emissions.

Water consumption

The impacts of climate change are changing the availability of water across the globe. Therefore, it's important to be responsible with the resources we utilize in the buildings we occupy, which means taking measures to reduce our water consumption, such as upgrading our buildings to incorporate low-flow toilets, automatic sinks, and landscape plants that require minimal water.

Waste management

Large amounts of greenhouse gas emissions come from landfills. Diverting waste from landfills via reducing material use, recycling, and composting helps to decrease our carbon footprint.

ESG topics (continued)

Sustainable sourcing

Our supply chain also has a carbon footprint, from the types of items we procure, to the creation and transport of these goods and services. We work with our suppliers to understand their sustainability practices and use this information when making purchasing decisions.

Fair marketing and advertising

Fair and ethical marketing and advertising is critical to customers, suppliers, and other business partners as it allows them to make decisions based on truthful claims. Unethical behaviors such as price wars, selective advertising, and deceptive marketing can hurt brand reputation.

Customer education and empowerment

While our company prides itself on financial expertise and knowledge, it's important for our customers to feel educated and empowered. This allows them to get the most use out of our products and services and to create long-term financial security.

Product equity and access

Equitable products that are accessible to all, including those in underserved populations, are pivotal to our mission of creating financial security for all. Based on product offerings, Principal is uniquely positioned to make financial products more accessible to small and mid-sized businesses.

Digital engagement

Having additional ways to engage with our potential and existing customers through a variety of digital channels is critical to relationship building. Also, meeting our customers where they are through digital channels opens more access to our products and services, and creates a more seamless experience.

Talent attraction and retention

Creating a pipeline of new talent helps enable our company to continuously grow and improve, adding diversity of thought and experience to our culture. It is equally important to listen to our employees to ensure we are fostering the best environment to retain top talent.

Leadership and development

The talent pipeline should not stop at the hiring door. Investing in our employees' growth and development is essential to paving the way for diverse leadership throughout each level of the firm.

Engagement and satisfaction

Employee productivity and well-being are directly correlated to their engagement and satisfaction at work. We take a pulse of how our employees are feeling about their workload, environment, culture, and career development multiple times per year to ensure we are incorporating feedback in real time to keep engagement and satisfaction levels high.

Diversity, equity, and inclusion

A workplace encouraging diversity, equity, and inclusion (DEI) can empower people by respecting and appreciating what makes them different (for example in terms of age, gender, ethnicity, religion, disability, sexual orientation), ensuring policies and programs are impartial, fair, and provide equal possible outcomes for all to create a sense of belonging in the workplace.

Community investments

Investing in the global communities where Principal has a presence is important to show support for the places our employees call home and build goodwill. This often spurs beneficial relationships and builds stronger bonds with local stakeholders.

Financial security for all

Creating financial security starts with meeting basic needs of today, which include housing, resources, and income needs. Once this is achieved, the focus shifts to planning for tomorrow through financial education and empowerment and equitable and accessible financial products and services.

Stakeholder input

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

Stakeholder group	ESG alignment to material metrics	Nature of engagement	Frequency
<i>Employees</i>	<ul style="list-style-type: none"> Diversity, equity, & inclusion Talent attraction & retention Leadership & development Engagement & satisfaction 	<ul style="list-style-type: none"> Performance reviews and career path/professional development discussions Employee engagement/satisfaction survey via periodic pulse checks and formal year-end questionnaire Direct outreach to Employee Resource Groups (ERGs) via forums, company meetings, and events 	Ongoing pulse check of employee engagement and satisfaction as well as professional development and engagement with ERGs; formal performance review and satisfaction and engagement surveys annually
<i>Institutional customers</i>	<ul style="list-style-type: none"> ESG integration Responsible proxy voting Sustainable products Data security & privacy Climate impact 	<ul style="list-style-type: none"> Touch points with dedicated account managers Focus groups for new and existing products Fact sheets, prospectus, website Third-party ESG ratings as a screening mechanism 	Ongoing touch point with dedicated account managers for voice of client feedback; focus groups (with global representation) as needed
<i>Retail customers</i>	<ul style="list-style-type: none"> Digital engagement Customer education & empowerment Fair marketing & advertising Product equity & access Sustainable products 	<ul style="list-style-type: none"> Direct outreach through digital chat interface Social media & gamification to engage on values alignment story Surveys and polling to gather voice of customer feedback; insights used to enhance future experiences 	Ongoing feedback from digital platforms and social media; voice of customer surveys and polling at least annually
<i>Investors</i>	<ul style="list-style-type: none"> Climate impact Sustainable sourcing Sustainable products Transparency, accountability, & reporting Anti-corruption 	<ul style="list-style-type: none"> Utilize sustainability/annual reports to analyze how ESG factors at the corporate level reduce costs and enhance brand value Press releases, conference calls, webinars, and proxy statements to learn about ESG-focused products that are an added revenue stream Third-party ESG ratings as a screening mechanism 	Ongoing Investor Relations engagement; quarterly shareholder meetings and earnings calls
<i>Governments & industry associations</i>	<ul style="list-style-type: none"> Financial security for all Product equity and access Community investments Sustainable products Climate Impact 	<ul style="list-style-type: none"> Joining sustainably aligned industry organizations In person/virtual meetings Thought leadership on policy forums Speaking at events/conferences Teaming on initiatives 	Annual review of philanthropic and company sponsorship partner alignment; continuous engagement at events and forums
<i>Communities</i>	<ul style="list-style-type: none"> Community investments Diversity, equity & inclusion Financial security for all Product equity and access 	<ul style="list-style-type: none"> Digital chats Social media & gamification Surveys 	Ad hoc polling/surveys of various community groups; ongoing feedback from digital platforms

ESG Task Force

The Principal Financial Group ESG Task Force is made up of members appointed by Chairman, President, and CEO Dan Houston. The members are leaders across the organization and report quarterly to the Principal Board of Directors. The role of the ESG Task Force is to ensure that material issues are integrated into and help guide our business decisions, drive our comprehensive 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.

"The value of ESG and our enterprise Task Force is about augmenting our drive for business performance with an enterprise commitment to addressing some of the most significant issues facing our planet and communities. As a global firm, we see the opportunity to put our expertise to work, improving access to financial education, products, and systems, particularly for underserved individuals such as women and people of color. Through our partnerships, we can also improve access to the foundations that help people feel more secure, such as reliable housing, food, and education. We're excited to continue our collaborative and cross-functional work to drive further change for and through Principal."

Beth Wood

Chair, EVP, and Chief Marketing Officer

Throughout 2021, the ESG Task Force met monthly to discuss our approach to sustainability reporting frameworks, such as GRI, SASB, TCFD, and CDP, public policy engagement, social and environmental key performance indicators, goal setting, performance against our ESG commitments, and the company's long-term purpose strategy.

Principal Financial Group ESG Task Force



BETH WOOD
Chair, EVP,
Chief Marketing Officer



KEVIN FARLEY
Vice President
Enterprise Worksite Services



JANE KEAIRNS
Director, ESG &
Emerging Strategies



MIRIAM LEWIS
Chief Inclusion Officer



JO CHRISTINE MILES
Director of Principal®
Foundation & Community
Relations



CHRIS REDDY
Executive Director
Investments & Client Solutions

2021 Scorecard

Activation pillars	Commitments	Status	2021 progress	2022 target
<i>Harness the power of our people</i>	<p>Annually, our goal is to reach an Inclusion Index score of 80% or above. Our Inclusion Index measures:</p> <ul style="list-style-type: none"> • culture of learning and trying new things, • employees feeling comfortable being themselves, • a supportive environment for sharing ideas, and • employees feeling valued and respected. 	On track	79% Inclusion Index	Maintain goal of 80% or above for Inclusion Index
<i>Embrace sustainable practices</i>	<p>By 2035, we will reduce our U.S. scope 1 and 2 greenhouse gas emissions by 40%, and by 2050, we aspire to achieve net-zero carbon emissions.</p>	On track	Reduced carbon emissions by 6.5% in 2021 compared to 2020	<p>Set intermittent, annual reduction targets in order to achieve a 40% net reduction in U.S. scope 1 and 2 greenhouse gas emissions by 2035</p> <p>Conduct baseline assessment of scope 3 emissions</p>
<i>Advance inclusive products & services</i>	<p>Over the next five years, we will double the number of diverse small to mid-size businesses we support through product access, microfinance, community development, and/or financial education.</p>	On track	Supported 16,415 small and midsize businesses that are owned by women or people of color in 2021, representing a 12% growth rate for each segment from 2020	Aim to support at least 2,923 additional small and midsize businesses that are owned by women or people of color in 2022
	<p>By 2022, we will have implementation planning in place to align our responsible investment with seven U.N. Sustainable Development Goals (SDGs):*</p> <ul style="list-style-type: none"> • no poverty, • quality education, • affordable and clean energy, • decent work and economic growth, • reduced inequalities, • climate action, and • peace, justice, and strong institutions. <p>*Unless a client specifically mandates otherwise</p>	On track	Completed inventory of Principal Global Investor strategies that align with our ESG integration framework (more than 150+ aligned strategies)	Report global AUM aligned to the U.N. SDGs and implement appropriate reporting tools

PEOPLE

Investing in our employees

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

Principal is prioritizing the engagement, inclusion, and overall health and wellness of our people. This helps our organization adopt our own values and principles and deliver on our collective purpose.



03



Employee engagement

Here at Principal, we are continuing to build a more inclusive and engaged workforce, knowing that this will help us attract and retain high-quality talent, increase employee engagement and satisfaction, and help develop the next generation of leaders. Prioritizing the engagement, satisfaction, and overall health and wellness of our people helps our organization adopt our own values and principles and deliver the highest values for our customers. It also makes us a better company (and it's simply the right thing to do). We want our employees to find their time with us meaningful and rewarding.

To understand employee sentiment and engagement, we believe it's best practice to collect feedback directly from our workforce on a routine, consistent basis. We formally survey our global employees three times per year and deliver targeted pulse surveys to specific audiences, such as team leaders, as needed throughout the year. These ongoing mechanisms allow us to conduct routine temperature checks on the employee experience, culture, and satisfaction by inviting employees to confidentially tell us how they feel about working with us—and in turn enable leaders and teams to quickly respond to challenges and identify areas of opportunity.

Principal was recognized by IDG's Computerworld as one of its 100 Best Places to Work in IT for the 20th consecutive year.

Engagement Index

In 2021, we maintained a strong level of employee satisfaction with a global employee Engagement Index of 79%. While slightly below our 2020 Engagement Index target, analysis of our 2021 engagement score relative to the last six years of surveying shows a higher average Engagement Index in 2021 than years prior.

Our target is to maintain an Engagement Index of 79% in 2022. When setting our annual targets, we take into careful consideration our historical engagement performance data, as well as internal and external trends we've observed over the past several years—such as changes in the talent market due to the ongoing COVID-19 pandemic and challenging business goals—to inform our future goal.



We also collaborate with our people analytics and enterprise readiness team leads to ensure that the voice and explicit feedback from our employees are incorporated into our analysis, intermittent action plans, and the following year's target. Finally, as our Engagement Index impacts our sustainability commitments, our results are shared with our Board of Directors on an annual basis.

Engagement Index results

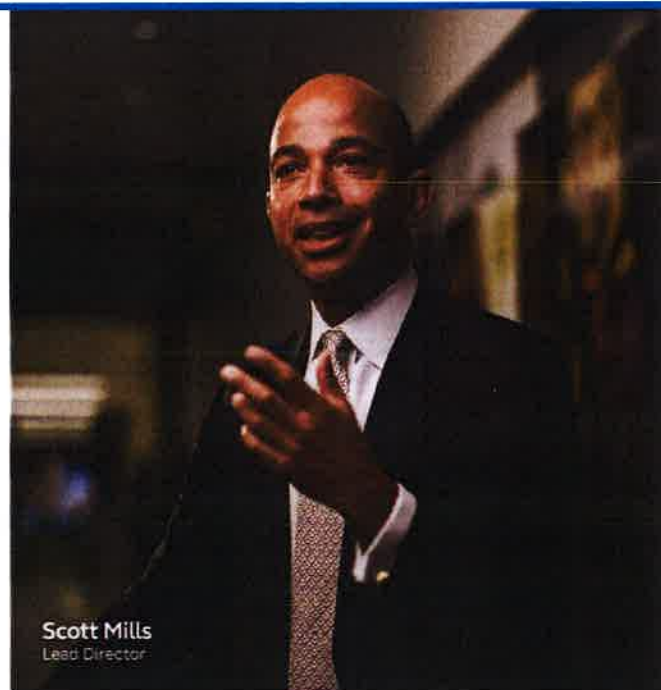


Global inclusion

Fostering a diverse workforce and inclusive culture is foundational to who we are and the change we seek throughout our business operations. And as a company operating in more than 80 nations and territories, we're committed to advancing inclusion, representation, accessibility, and equity within our workplace, our business practices, and the communities in which our employees and customers live and work. We recognize that our employees are the key drivers behind our success, and we want to ensure every individual working with us is empowered to bring a broad set of diverse perspectives, skills, and beliefs. We strive to embody these principles every day through our commitment to diversity, equity, and inclusion. 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 across and throughout all levels of our organization. Our leadership team reflects these values. Today, 62% of our Board of Directors are either women or people of color (eight out of 13). Furthermore, 42% of our executive management group are women (five out of 12).

Today, 62% of our Board of Directors are either women or people of color.



Some notable firsts:

1980

Named our first woman board member

1991

Named our first woman vice president

1998

Named our first woman senior vice president

2004

Named our first woman executive vice president

2015

Named two women as our first division presidents

Global inclusion (continued)

Inclusion Index

In 2021, we maintained a strong level of workplace belonging with a global Inclusion Index score of 79%. Our Inclusion Index measures the extent to which employees feel valued and respected, our progress toward fostering an inclusive and comfortable environment where employees can truly be themselves, and our success at creating an environment where diverse perspectives can not only be shared, but also are encouraged. While our annual result of 79% was slightly below our annual Inclusion Index goal of 80% and down two points from 81% in 2020, we are proud of our two-year average result of 80% and will continue to review and incorporate employee feedback into our global inclusion strategy and solutions.

Some of our recent actions include:

- We deployed INCLUDE training—the neuroscience of smarter teams—to our leaders worldwide. With a 96% completion rate and 5,000 hours of training, our leaders are equipped to lead more inclusively and unlock the benefits of a diverse team.
- Principal joined the Coalition for Equity in Wholesaling to work with other industry leaders to develop a more inclusive path to wholesaling through education, attracting, engaging, and providing connections for people of color to potential job opportunities.
- We launched a global independent pay equity study focused on race and gender. Results show our management of pay equity ranks best in class among financial services companies reporting pay equity data.
- Our CEO serves as the executive sponsor of our Executive Inclusion Council.
- We continued action to support commitments made in 2019 when our chairman, president, and CEO signed the CEO Action for Diversity & Inclusion pledge.



Principal was named a member of the 2021 Bloomberg Gender-Equality Index, and for the seventh straight year, we received a score of 100/100 on the Corporate Equality Index, naming us one of the "Best Places to Work for LGBTQ Equality." Principal was also ranked #12 on Diversity MBA's 50 Out Front: Best Companies to Work for Women and Diverse Managers. And finally, for the second year in a row, Principal[®] scored 100/100 in the Disability Equality Index[®] by Disability: IN and American Association of People with Disabilities for our disability inclusion efforts.

Growth in diversity

To serve a broad set of customer needs around the world, our employees must reflect the same diversity of the individuals, families, businesses, and communities we serve. We track gender representation for our global population and racial/minority representation within our U.S. employee population to ensure our organization continues to make progress toward our diversity, equity, and inclusion goals.

With approximately 38% of our workforce located outside of the U.S., we benefit from a global perspective.

Our diversity is framed by many dimensions including our extensive global operating footprint. With approximately 38% of our workforce located outside of the U.S., we benefit from a global perspective. Having a geographically diverse footprint invites continuous cultural learning, creativity, and development for our people across the organization. And we celebrate our differences authentically through meaningful cross-cultural collaboration.



Munirah Khairuddin
Chief Executive Officer
Principal Asset Management,
Malaysia

Global representation

Employees as of 12/31/2021	U.S.	International	Global
<i>Total workforce*</i>	11,479 (62%)	7,107 (38%)	18,586
<i>Total full-time</i>	11,378 (62%)	7,036 (38%)	18,414
<i>Total part-time</i>	101 (59%)	71 (41%)	172
<i>Total temporary (interns)</i>	68	11	79
<i>Total active contractors</i>	455	Not currently reported	455
<i>Total independent contractors</i>	5	Not currently reported	5

*Inclusive of full-time and part-time employees.

Growth in diversity (continued)

Diversity Index

Our Diversity Index comprises 17 metrics and measures our ability to attract, engage, promote, and retain diverse talent. Our performance over the last year tells us that we're making genuine progress on hiring, retaining, and promoting women and people of color across the organization. We know there's more work to be done in 2022 and beyond, as we have a collective opportunity to increase our diverse representation.

We continue to have wide representation of women across all levels of our global workforce. Out of our total global workforce, 54% of our employees are women. Our executive management group (EMG) is made up of 42% women

leaders (five out of 12). Two of our EMG members are based outside of the U.S. And 46% of all management and senior management positions are filled by women leaders.

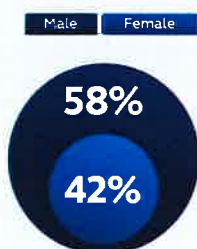
Our goal of increasing the representation of racially diverse employees across the company is increasing, and we have plans to accelerate the pace. Currently, only 4% of all management and senior management positions are filled by individuals who identify as racially diverse in our U.S. locations. As of December 31, 2021, approximately 14% of our U.S. employees identify as people of color. We are currently collecting racial and ethnic demographic data for our U.S.-based employees.

We're proud of our progress but we're not content—there's more to be done.

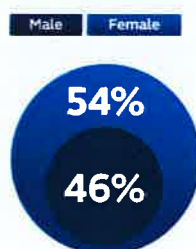
To keep making progress we're:

- fostering diversity in everything we do, including our workforce, 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
- amplifying the voice of our employees to drive engagement and a sense of belonging.

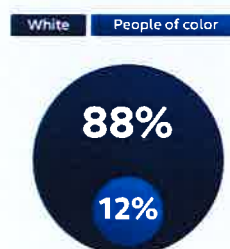
Executive Management Group
as of 12/31/2021



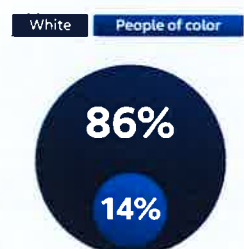
Global employees
as of 12/31/2021



United States employees
as of 12/31/2020



United States employees
as of 12/31/2021



Resources & initiatives



Education and awareness

- Our “Culture of Inclusion” training had a 99% completion rate for all new hires in the U.S. in 2021.
- Similarly, our “Managing Diversity for Leaders” training had a 96% completion rate for all new leaders in the U.S. in 2021.

Diversity Initiatives in 2021

- We continued to promote, support, and participate in diversity related initiatives to foster diversity and inclusion. These efforts include ongoing training for leaders and mentoring opportunities for women and people of color.
- To continue to diversify our supply chain, we remain committed to purchasing at least 9% of our U.S. spend from vendor companies owned by women and people of color.

Employee Resource Groups (ERGs)

Our ERGs serve an important role in creating an inclusive and welcoming environment for employees across our global organization. The purpose of these resource groups is to facilitate social/cultural learning, personal and professional development, and to connect back to our employees and business through programming, events, and initiatives. Our ERGs are essential to cultivating and sustaining our culture. To enable global participation, our ERGs are structured as a franchise model to help ensure connectivity to the global inclusion strategy and to better engage employees worldwide.

As of December 31, 2021, we have 10 employee resource groups and a total of 3,725 ERG members.

- African American/Black
- Asian
- Green Team
- Hispanic/Latino
- Idea Inclusion Connection
- LGBTQ+
- OneAbility
- Veterans
- Women in Leadership
- Women in Technology

Premier Inclusion Events

At Principal, we host large-scale global inclusion events that provide a safe space for robust dialogue on topics and current events that are important to our employees and customers. These forums brought heightened awareness to and understanding of relevant and timely social and cultural topics, including “Courageous Conversations” on hate crimes against Asian Americans, Earth Day, the global inclusive mindset, mindful leadership in the modern world, mental health awareness, PRIDE and working fearlessly, Dia de los Muertos, veterans appreciation, and celebrating Native American culture.

These virtual events are open to all employees, and we have consistent participation from all subsets of our population, including our executive management group.

Principal Inclusion Connect

In 2021, we launched Principal’s Inclusion Connect, a 10-month experience involving monthly small-group guided discussions on important diversity, equity and inclusion (DEI) topics, including social identities, intersectionality,

breaking bias, allyship, and privilege. The purpose of this solution is to:

- Build confidence by providing guidance and structure to further embed the Principal Global Inclusion Strategy.
- Advance inclusion by learning, discussing experiences, and sharing ideas during small-group dialogue, and
- Deliver continuous guidance to support the use of consistent and intentional inclusion practices to help team members feel a deep sense of belonging at work.

More than 800 employees from around the world participated in the Principal Inclusion Connect program.

Priorities for 2022

- Improving our existing engagement and diversity indices this year. These indices are two of twelve equally weighted measures in our corporate balanced scorecard, the most critical measures in understanding company-wide performance and informs business decisions as well as determines the company bonus multiplier for eligible employees.
- Continuing to hire and advance leaders of diverse backgrounds.
- Creating a more inclusive culture.
- Continuing to deploy our INCLUDE training to global leaders to promote creativity, collaboration, and connectedness across our virtually operating teams.
- Maintaining flexible workplace arrangements across our workforce.
- Strengthening our employees’ sense of value, respect, and purpose.

Leadership & advancement

As we endeavor to expand our thinking, foster innovation and new ideas, and stay connected and engaged with the people and communities we serve, we continue to hire and advance leaders of diverse backgrounds. Through our Diversity Index, we monitor our representation and progress across multiple leader teams, including tracking advancement within Principal for our female and racially diverse employees in the U.S.



At the end of 2016, women comprised 56.3% of our global workforce. That percentage held fairly steady at 54.3% at the end of 2021 with an average annual growth rate of -0.7%.

In the U.S., 925 of our employees identified as persons of color (POC) at the end of 2016—that's only 9.2% of our total U.S. workforce of 10,033 employees. By the end of 2021, 1,564 employees identified as POC, or 13.6% of 11,479 employees in the U.S. workforce. That's an average annual growth rate of 9.5% since 2016 and 13.9% growth rate from 2020 to 2021.

Diversity by the numbers

Job category	Global		U.S.	
	Gender*		Race/Ethnicity**	
	Male	Female	White	People of color
Executives	7 (58%)	5 (42%)	10 (100%)	0 (0%)
Senior management	17 (65%)	9 (35%)	21 (87.5%)	3 (12.5%)
Management	1,460 (54%)	1,247 (46%)	1,544 (93.3%)	110 (6.7%)
Professionals & administrators	7,007 (44%)	8,829 (56%)	8,330 (85.2%)	1,451 (14.8%)
Total workforce	8,491 (46%)	10,090 (54%)	9,905 (86.4%)	1,564 (13.6%)

Principal was also included in *Forbes* list of **Best Employers for Women** and was again recognized as one of the *Seramount* **Top Companies for Executive Women**—Hall of Fame.

Forbes named Principal one of America's Best Employers for Diversity, ranking 109.

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

**Racial and ethnic demographic data is currently only collected in the U.S. Figures presented here include our U.S. workforce. Includes 10 individuals that did not disclose racial/ethnic minority status.

Recruiting talent through university associations and grants

In 2021, we continued to focus our early career and recruitment efforts on recruiting diverse and underrepresented talent. We do this by investing in programs that help build valuable social connections and financial capability for students and young adults looking to enter the workforce.

Leadership development program

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

Each year, 11 high-performing entry-level employees participate in rotations across the company based on their unique career interests. During the program they are mentored by senior managers, complete leadership skills assessments and development plans, engage in learning projects, and interact with customers, investors, and employees around the world. After the program, associates can accelerate their careers through full-time placement into high-impact areas.

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.



Shekinah Young
Diversity and inclusion
Principal employee

McKenzie Kerry
Leadership development program
Principal employee

Training & internships

Intern to full-time conversion rates over the last three years

Year	Hired	Total eligible	% Converted
2019	40	131	31%
2020	39	123	32%
2021	51	138	37%
3-YR TOTAL	130	392	33%

iJAG Partnership

Principal also has a longstanding relationship with the Iowa office of [Jobs for America's Graduates](#) network (iJAG). iJAG's mission is to provide support, skill development, and opportunities for underrepresented students at the highest risk of disengaging from school. 100 employees at all levels and areas of the organization participated as trainers, guest speakers, and mentors. They connected with students virtually in spring 2021 and in person in fall 2021 at 13 schools across central Iowa. Our employees volunteered one to two hours per week to meet with students and teach résumé building, college and career optioning, interview skills, and financial literacy.

In 2021, we hired nine iJAG graduates to complete an eight-week program on career exploration and professional

development. Training was focused on developing foundational business skills, learning and practicing important personal finance concepts, and enhancing interpersonal skills. Five accepted internship roles at Principal. Our goal is to increase our full-time conversion rates to provide long-term growth opportunities for iJAG graduates who are specifically interested in Principal as a place to launch their careers.

Principal community relations supports the communities where affiliates of the Principal Financial Group¹, Des Moines, IA 50392 operates.

Internship Program

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 2021, we also invested 140 hours at recruiting and student events and an estimated 350+ hours interviewing candidates for internships. These efforts led to hiring over 200 interns, representing 28 different states and 75 colleges. We continue to see increasing interest and participation of diverse candidates in our internship cohorts.

Two years ago we started a relationship with the Management Leadership for Tomorrow (MLT) program, which provides access to over 1,000 diverse undergraduate and MBA candidates targeting technology, accounting, finance, and investments. This year, of the 800 résumés received, this competitive program yielded 10 active candidates that are the top talent from their junior- and senior-level classes. This internship partnership is aimed

at building our pipeline into early career full-time opportunities at Principal. For students within the MLT organization, we hosted a summer webinar series centered on professional development with topics such as "Inclusion in technology," "Becoming an effective analyst," and "Crafting a values-driven career."

We had 235 individuals hired into these learning and development programs in 2021, with 38% of participants being women and 30% being people of color. Our last three years of intern conversion rate-to-employment averaged 33%.

Every year, Principal awards higher education-focused grants to key university partners. A total of \$500,000 was awarded again in 2021. The focus of these grants is to help universities increase their DEI efforts on campus. Examples of scholarships we've funded include:

- University of Iowa: Women in Finance
- Tippie College of Business Gateway program (targeted to underrepresented populations in business)
- Iowa State University: Women in Science and Engineering
- University of Wisconsin Milwaukee—scholarships awarded by the African American Faculty Staff Council
- University of Northern Iowa School of Business diversity initiatives
- Drake University diversity scholarships

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Attracting and retaining the best people

We've built our workplace on principles of fairness and respect. 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 local, national, and international laws.

As of December 2021, the average tenure of our global workforce is 8.9 years. This number increases slightly to 11.4 years for U.S.-based employees. Our global employee turnover rate in 2021 was 23% and 13% for U.S. employees.

Employee turnover results (% of total employed)

2021

Global: 23%
(4,161 terminations)

U.S.: 13%
(1,446 terminations)

Employee turnover results

2020

2019

Global: 17%
(2,934 terms)

Global: 26%
(4,528 terms)

U.S.: 8%
(811 terms)

U.S.: 11%
(1,145 terms)

Average tenure (years)

	U.S.	Global	Male	Female	White	People of color
	11.4	8.9	7.6	9.0	12.0	6.3

We continue to monitor patterns and incorporate our key findings into our strategic planning and oversight, which directly feeds into the 17 indicators we monitor via our Diversity Index. Our goal is to ensure that the employee experience is positive, holistic, and inclusive for all of our talented employees. While we have a long road ahead, we're committed to ensuring that we continue to drive change and make progress toward our diversity, equity, and inclusion goals. To continue this important work, our human resources teams remain focused on building on the following beliefs:

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

Retaining Employees

At an industry level, we recognize that diverse talent is highly sought after in the current economic and labor markets, which has been exacerbated by the ongoing COVID-19 pandemic. Now more than ever, workers have the ability to stop back and reflect on what they are looking for in their career and are in positions to advocate for what they want.

We conduct annual benchmark analyses against other financial services companies to ensure we're on par

with competitive benefits and aim to slightly exceed market standards.

Retention strategies are thoughtfully woven into our compensation and retirement programs. The programs for the broader population include our employee stock purchase program, of which approximately 27% of our global employees were actively participating at the end of 2021, 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.

Recognized by Pensions & Investments as one of the Best Places to Work in Money Management for the 10th consecutive year.

Additionally, we're taking a deeper look at our culture, workforce, workplace flexibility, and the capabilities and strength of our leaders to ensure that our people feel connected to their work in a meaningful way and maintain a healthy work-life balance.

We know that employees occasionally have concerns or suggestions for improvement related to compensation and pay that require communication beyond our existing employee listening and enterprise readiness team. Our goal is to create 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.

We're proud of our open-door philosophy and continuously encourage all employees to speak up and share their concerns and feedback with us. Employees can also raise pay-equity concerns through an [Ethics Hotline](#), the Principal Human Resources Department, or their leader.

Pay equity

Creating a diverse and inclusive culture at Principal is of utmost importance to us. Ensuring that all individuals are compensated equitably for equal work and experience and have an equal opportunity to contribute and advance is fundamental to our ability to attract, retain, and motivate our qualified and diverse workforce. 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.

Pay equity is central to our existing comprehensive compensation practices and policies. We conduct an annual, global pay audit to identify unexplained differences in pay between employees doing like work in commensurate positions. To ensure that

the findings are objective, we conduct our annual pay audit with a credible third party. On a global level, our pay audit includes a gender pay gap assessment. In the U.S., where the majority of our employees are based, our pay audit includes both a gender and a racial pay gap assessment. While we do not currently disclose the specific results of our pay audit, we continue to be proud of our gender and racial pay equity performance, which support that our pay aligns with our stated non-discriminatory compensation philosophies. As of December 31, 2021, the ratio of the annual total compensation of the CEO to the annual total compensation of the median employee was 236:1.

To promote pay transparency throughout the company, starting in 2022 we are posting the minimum and maximum salary ranges for all open positions in the U.S.

Promoting pay transparency

Pay transparency, particularly disclosing wage ranges in job postings, is gaining public attention due to ties to ESG and DEI efforts.

At least nine U.S. jurisdictions where we hire talent have enacted legislation regarding pay transparency, with some states now requiring job postings to contain wage range information for positions physically located in that state, as well as remote positions nationwide.

Roughly 65% of our positions are remote eligible. To promote pay transparency throughout the company, starting in 2022 we are posting the minimum and maximum salary ranges for all open positions in the U.S.—both internally and externally. We believe that disclosing the salary range for all U.S.-based open positions is not only crucial to giving individuals, especially women and people of color, more agency, but also a necessary step to reducing pay disparities, creating a fair application and recruitment process, and finding highly qualified candidates.

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



Voice of employees

2021 was the second year of our Voice of Employee program—a multifaceted and agile approach that allows us to better understand employees' needs, quickly sense and respond, and ensure we're best positioned to adapt our business strategies based on the ongoing feedback we receive from our employees. The Voice of Employee program combines the power of short, frequent pulse surveys, which are conducted three times per year, with our enterprise readiness team—a network of 350 employees around the globe that help connect insights and action at a local level based on the relevant context.

This approach allows us to be engaged with “always-on” listening

This approach allows us to be engaged with “always on” listening and further embeds active listening techniques and methods into our employee feedback process. We're always on a mission to improve the overall employee experience. In 2021, themes we heard from employees included:

- insights of the ongoing COVID-19 pandemic
- continued work-life balance and flexibility
- workload management
- compensation

Through town halls, communications, and targeted tactics, leaders and teams continue to respond to employee feedback at the enterprise and local levels to address opportunities and react quickly to employee sentiment.



Katie Babcock
Principal employee

Training & development

Encouraging a growth mindset, embracing innovation, and driving continuous improvement are characteristics that we expect our employees to have. And we want our employees to feel enabled, independent, and willing to push their boundaries.



We believe that embracing a growth mindset, expressing empathy, and thinking critically directly contributes to our team's overall happiness and well-being. We believe in taking steps to advance your own personal and professional goals, and we'll do whatever we can to help ensure our employees have the tools, resources, and support to do just that.

At Principal, we encourage development in a variety of ways, including formal development opportunities, experiential and on-the-go education, and professional relationship building.

To encourage our employees on their learning and development journeys, we deliver online, digital core job function training opportunities through a learning app in our human resources system. To promote cross-job and life-skills training, employees and leaders also have access to Harvard Manage Mentor (HMM), which provides on-demand training and interactive exercises on key topics such as career, stress, time, and change management, difficult interactions, decision making, global collaboration, diversity, negotiation, innovation and creativity, and many more relevant topics.

LinkedIn Learning

In 2021, we began offering LinkedIn Learning to all our employees to provide another vehicle through which employees can access the training content and materials that interest them most. The Top 3 most viewed courses covered topics related to learning from failure, increasing resiliency, and building trust. Over the course of the year, 24,644 courses were completed by more than 7,400 employees across our organization, resulting in a total of more than 27,600 hours of additional skills and life-based learning.

Mentoring

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.

In 2021 we continued our global mentoring program in its second year for a combined total of 7,162 mentoring hours

across the three programs on this platform. The global program is our largest mentoring program and offers a development opportunity to all Principal employees by cultivating formal mentoring relationships. Each fall we enroll participants from across the organization, find strong matches, and support mentoring pairs as they connect with each other over a nine-month structured experience around specific goals.

The top three areas of mentoring focus reported by participants in 2021 were working together, getting ahead, and developing a customer mindset. We also have mentoring opportunities for targeted groups and within businesses. This includes a mentoring program in our retirement business and multiple programs within our technology community. One new program in 2021 was designed to pair a group of women in Latin America to mentor other women in the region. Their discussions over an eight-month period were focused on breaking paradigms (e.g., glass ceiling and imposter syndrome). In 2021, we had more than 1,800 global employees participate in the program and successfully made 1,035 matches.

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 a key developmental tool that's designed to encourage employees to complete courses or degree programs directly related to their current job or future growth opportunities.

In 2021, approximately 242 employees participated in our educational assistance program, totaling over \$700k in investment by the organization.

Compensation, benefits, & amenities



In order to meet the needs of our demographically and geographically diverse employees, we continue to offer comprehensive compensation and benefits packages that offer a lot of choice at an affordable cost and vary by location. Ensuring the financial security, health, and wellness of our people is core to how we attract and retain the best talent. Plus, it's just good business practice.

Comprehensive benefits

Guaranteed perks: All active employees are eligible to utilize an inclusive suite of health benefits, including medical, dental, insurance, short-term and long-term disability, life insurance, and other comprehensive benefits. All global employees receive benefits either through Principal or through their local government sponsored health care programs.

Work-life balance

Flexible work arrangements: The extraordinary circumstances we've been through since the onset of the pandemic have taught us what's possible about how we work together. We're embracing more flexibility than ever before and recognize that will include a variety of in-office, hybrid, and remote arrangements. As we step into our new normal, we're anchoring to the following guidance:

- **Flexible work is based on situational needs.** We expect flexibility will continue to be core in what we do. However, flexibility in work arrangements relies heavily on continued productivity and performance.

- **There's zero compromise on performance.** We'll enable as much flexibility as possible with the continued expectation that performance isn't compromised.
- **The office environment plays a critical role in collaboration and innovation.** Where possible, we believe the office environment provides important opportunities for us to connect, collaborate, and innovate. We will continue to invest in physical locations where it makes sense for us to have presence and bring people together.
- **We're taking a global, enterprise approach.** We've provided a clear set of enterprise-wide criteria to help employees and their leaders evaluate and establish an arrangement that works for individuals, teams, and the business.

Flexible time off (FTO) programs: Exempt employees (full-time and part-time who work at least 20 hours per week) 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 four weeks of paid leave within 12 months of the birth or placement of a child (adoption or foster care) for bonding—dads and partners included. Paid maternity leave, combining short-term disability and the family medical leave act (FMLA) is at minimum 12 weeks for exempt employees (this may be higher in other countries depending on local laws).

Volunteer time off (VTO): We provide eight hours of paid time away from work to volunteer at nonprofit organizations and schools each year. In 2021, our employees volunteered 45,189 hours of their time to a variety of causes around the globe.

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.

Mental Health. We care a great deal about the mental health of our employees and their families. Our Employee Assistance Program (EAP) is a free resource to all U.S. employees (even if they don't utilize Principal medical benefits) to explore mental health resources 24/7. Virtual telehealth services also offer mental health visits and beginning in 2022, any mental health provider offering outpatient services, whether in-network or out-of-network, will be charged at the reduced in-network price.

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.

Compensation, benefits, and amenities (continued)

Fitness center. We provide a state-of-the-art fitness center at our company headquarters, plus health club reimbursements.

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

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

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

Financial security

Retirement plans. We match 75% of the amount an employee elects to defer to the 401(k) plan, up to 8% of eligible pay. We provide a defined benefit pension plan, with benefits based on earnings and years of service.

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

Free access to financial professionals. We offer one-on-one meetings, financial education seminars, financial needs analysis and planning, and discounts on Principal products.

Adoption reimbursement. After an adoption is finalized, employees can request reimbursement for adoption expenses (up to \$10,000 for lifetime maximum).

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

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.

Will preparation services. Employees have access to free online standard will preparation and other legal documents and identity theft prevention resources provided by ARAG¹.



PRACTICES

Protecting the environment

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



04



Reducing climate impact

Our approach to ecological stewardship starts with having comprehensive knowledge of how our behaviors impact our physical environments. We are committed to minimizing our impact on the environment, which includes reducing our carbon footprint, using energy and water efficiently, and minimizing waste.

At the outset of 2022, scientists at the European climate agency Copernicus announced that the last seven years were the Earth's hottest on record. The persistence of extreme weather events around the world offers a warning of our climate impact trends.

To combat the climate crisis, we remain dedicated to taking actions to mitigate our climate impact and create climate positive outcomes. In 2020, we achieved our goal of reducing our scope 1 and 2 U.S. greenhouse gas (GHG) emissions by 30% from our 2010 baseline. By 2035, we aim to reduce scope 1 and 2 U.S. GHG emissions by another 40%, and by 2050, we aspire to achieve net-zero carbon emissions.

In 2021, we continued to measure our scope 1 and 2 GHG emissions for all U.S.-owned-and-controlled operations. We're proud to share that for the third year in a row, we had a net reduction in our emissions. Specifically, from 2020 to 2021 we reduced our scope 1 and scope 2



Greenhouse gas emissions	Unit	2018	2019	2020	2021*	% reduction since 2020
<i>Scope 1 direct emissions</i>	METRIC TONS CO2E	6,668	6,454	4,400	4,021	8.6%
<i>Scope 2 market-based emissions</i>	METRIC TONS CO2E	31,664	24,226	13,187	12,417	5.8%
<i>Total Scope 1 and 2 market-based emissions</i>	METRIC TONS CO2E	38,332	30,680	17,587	16,438	6.5%
<i>Scope 2 location-based emissions</i>	METRIC TONS CO2E	36,313	34,166	24,400	23,739	2.7%
<i>Total Scope 1 and 2 location-based emissions</i>	METRIC TONS CO2E	42,981	40,620	28,800	27,760	3.6%

*2021 values will be verified in Q2 2022, and final figures will be disclosed in the CDP, U.S. figures only. Principal is in planning and development for scope 3 and worldwide initiatives.

Reducing climate impact (continued)

market-based GHG emissions by approximately 6.5% and our scope 1 and scope 2 location-based GHG emissions by approximately 3.6%.

As a global company, we know that our climate action plans require the involvement of all business operations for which we have operational control. In 2021, we initiated a global GHG data collection project to capture our scope 1 and 2 global emissions for all Principal controlled facilities by collecting historic utility bills from international offices.

Once we have our verified baseline of our scope 1 and 2 GHG emissions for each of our global sites, we plan to collaborate closely with our local partners to set reduction targets that align with the Science Based Targets initiative (SBTi) for each location and expand our current environmental goal from U.S.-only to worldwide. To help ensure effective and long-term success of our climate action strategy, we will support our global sites in improving energy and building efficiencies, prioritizing renewable energy wherever possible, engage international offices on sustainability initiatives, and streamline reporting to our global

headquarters in Des Moines.

Operating in the finance and insurance industry, we understand that while it's important and meaningful to measure and reduce our direct scope 1 and indirect scope 2 greenhouse gas emissions, our largest emissions impact is from our owned and managed portfolios. Calculating our scope 3 portfolio emissions is a complex and lengthy process, requiring us to review different frameworks, consult industry experts, and adopt new ways of working across our investment teams. We have made significant progress in calculating emissions for those asset classes with readily available emissions data (mainly public equities and real estate equities that complete our ESG questionnaire), and we're eager to advance this work in 2022 across our other asset classes and investments globally as emissions reporting and data transparency is enhanced across the industry.

In December, Principal earned "Management" status for environmental stewardship from CDP, after receiving a B rating on its 2021 CDP Climate Change Report, based on 2020 data. Our B rating is higher than the North American Regional average (C) and is equal to the Financial Services sector average (B).

In 2021, we initiated a global GHG data collection project to capture our scope 1 and 2 global emissions for all Principal controlled facilities by collecting historic utility bills from international offices.



Our climate action commitments

Carbon intensity trends and goal-setting

We exceeded our 2021 glidepath goal of a 5% reduction from our 2019 baseline, with a total GHG reduction of 46% between 2019 and 2021.



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Greenhouse gas emissions	Unit	2019 Baseline year	2021 Target	2021* Performance	2025 Target	2035 Target
<i>Goal: Total Scope 1 + market-based Scope 2 emissions</i>	METRIC TONS CO2E	30,680	29,146	16,438	26,078	18,408
<i>Goal: Reduction against 2019 baseline year (market-based)</i>	METRIC TONS CO2E	N/A	1,534	ACTUAL MARKET-BASED REDUCTION OF 46.2% FROM 2019 TO 2021	4,602	12,272
<i>Goal: Market-based reduction</i>	% DECREASE FROM BASELINE YEAR	N/A	5%		15%	40.0%
<i>Total Scope 1 + location-based Scope 2 emissions</i>	METRIC TONS CO2E	40,620	38,589	27,760	34,527	24,371
<i>Goal: Reduction against 2019 baseline year (location-based)</i>	METRIC TONS CO2E	N/A	2,031	ACTUAL LOCATION-BASED REDUCTION OF 31.6% FROM 2019 TO 2021	6,093	16,248
<i>Goal: Location-based reduction</i>	% DECREASE FROM BASELINE YEAR	N/A	5%		15%	40.0%

*2021 greenhouse gas emissions values will be verified in Q3 2022 and final figures will be disclosed in the COP26 data room (US figures only). Principal is in planning and development for scope 3 initiatives.

Improving outcomes

We are extremely proud of our emission reduction outcomes over the last few years. One of the main drivers of our electricity reduction and—by extension—our scope 2 GHG emissions was our demolition of two buildings on our Des Moines campus (which we created into green space), lighting retrofit projects, and operational optimization.

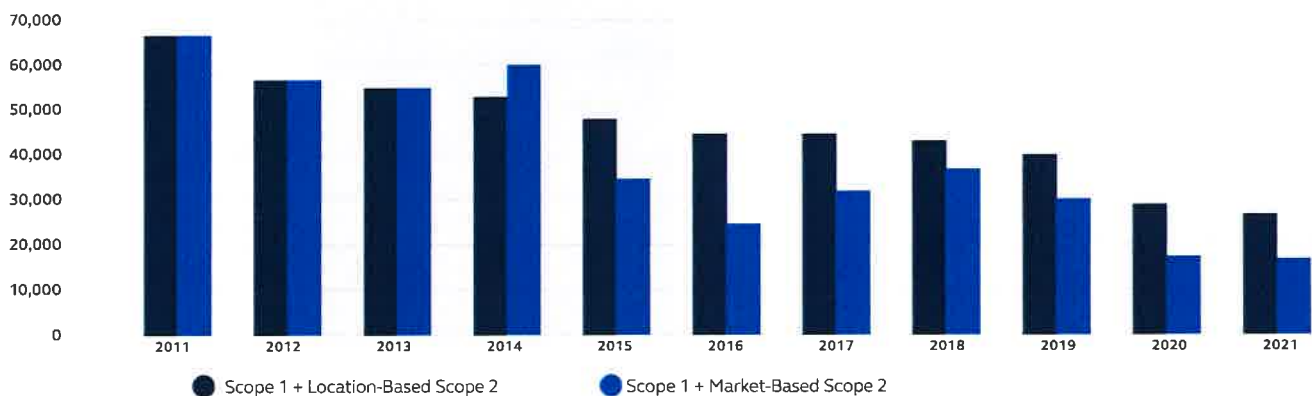
In addition, we acknowledge that we are direct beneficiaries of the innovative and significant work that our primary utility provider in Des Moines (MidAmerican Energy) has done to invest in renewable energy projects in Iowa, including wind and solar generation, and the exploration of new technologies to advance the company's transition to net-zero greenhouse gas

emissions. These innovations and investments into cleaner energy have significantly reduced our scope 2 GHG emissions in 2020 and 2021.

At the end of 2021, we did a deep dive to understand where our emissions reductions over the previous two years were coming from. Our preliminary analysis

indicates that 60% of the 14,242 mtCO₂e reduction in GHG emissions is from cleaner energy provided by our primary utility provider in Des Moines. For the remaining 40%, more than half is due to lower electricity consumption, and the remainder is from lower fuel usage.

Principal carbon emissions 10-year performance



*2021 greenhouse gas emissions values will be verified in Q2 2022, and final figures will be disclosed in the CDP. All data represents U.S. figures only.

Environmental performance

We recognize that our vision of a more secure world is intertwined with the health and well-being of the planet. As such, we continue to be mindful of our operating realities and how our daily functions contribute to our impact on the environment.

While our consumption of energy and water and production of waste are not significant or material to our industry, we remain committed to measuring these environmental indicators so that we continue to comprehensively understand our impact on the environment and formulate thoughtful action plans to reduce these impacts.



Energy and carbon reduction

We pursue opportunities to invest in energy-efficient systems and processes that reduce carbon and energy usage, and we're always exploring the market for more innovative and advanced technologies to help reduce our energy consumption and emissions. We're acting diligently and thoughtfully to reduce our energy consumption and our scope 1 and 2 greenhouse gas emissions in the U.S.,

as well as expanding our GHG inventory to all Principal controlled operations around the world. In 2021, we saw a net reduction in energy consumption of 5% compared to 2020, and a 6.5% reduction in scope 1 and scope 2 market-based GHG emissions.

Moving toward renewable energy

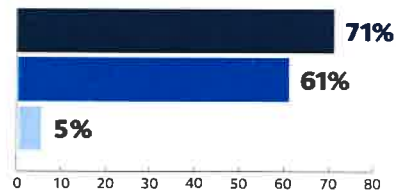
We pursue opportunities to invest in energy-efficient systems and processes that reduce carbon and energy usage, and we're always exploring the market for more innovative and advanced technologies to help reduce our energy consumption. Our utility provider in Des Moines (MidAmerican Energy) recently announced plans for a renewable energy project in Iowa, including wind and solar generation, and the exploration of new technologies to advance the company's transition to net-zero greenhouse gas emissions to meet their goal of achieving 0% grid emissions by 2024. MidAmerican Energy has been significantly increasing the percentage of renewable energy in its energy portfolio since 2013 and estimates that 88% of their grid energy came from renewable sources in 2021. Of our total energy consumption in the U.S. in 2021, we estimate that approximately 61% came from renewable sources. We're aiming to increase this percentage in 2022 through our long-standing relationship with MidAmerican Energy, and we're exploring renewable energy options in our other global locations.

Climate risk scenario analysis

As asset owners, Principal Real Estate Investors assess our portfolio's exposure to climate-related risks and opportunities. As part of each new development project and property acquisition, we review physical and transitional climate risks through a third-party climate risk data provider. Physical risks reviewed include sea level rise, flooding, tropical cyclones, extreme heat and extreme cold. Upon closing, the asset manager and property manager are

notified of the property's climate risks and prescribed climate risk mitigation strategies for each identified risk. The transition risk analysis reviews emissions and benchmarking regulations. Carbon emissions are reviewed relative to current and predicted regulations to determine the level of emission reduction required at the property to meet common warming scenarios (1.5, 2, and 3 degrees Celsius).

For the fourth consecutive year, Principal Financial Group[®] has been named an ENERGY STAR[®] Partner of the Year Sustained Excellence award winner.



- Waste diverted from landfill through recycling, composting, and donations
- Approximate amount of energy in our U.S. operations that came from renewable sources
- Absolute reduction in energy consumption for our U.S. operations in the last year

Environmental performance (continued)

Building green

We utilize Leadership in Energy and Environmental Design (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.

Water efficiency

We incorporate responsible water management practices to meet or exceed LEED guidelines for water efficiency. We continue to monitor our water consumption and implement water savings techniques wherever possible.

Waste and recycling

We integrate waste and recycling practices into business operations and construction projects to improve landfill

diversion. Our goal: meet or exceed LEED guidelines for waste and recycling. In 2021, we diverted 71% of the hazardous and non-hazardous waste produced at our U.S. facilities through recycling, donating, and composting efforts. We continue to make small but meaningful changes in our offices, such as replacing our waste bin liners with compostable materials.

Food diversion and composting

Even while our onsite cafeteria was closed on and off throughout the year for the health and safety of our employees, at our U.S. headquarters in Des Moines, 8,811 pounds of food was diverted from the landfill in 2021. Approximately 15% (1,361 pounds) was donated to individuals and families in need, and nearly 85% (7,450 pounds) was composted thanks to our food service provider, Sodexo.

Employee 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.

At the same time, we engage our employees, stakeholders, and supply chain through environmental awareness initiatives. We established a system and policy that is modeled after ISO14001 and designed to:

- reduce energy use and GHG emissions
- improve water efficiency
- reduce waste to landfills
- increase employee awareness

Environmental performance*	Unit	2019	2020	2021*
Energy consumption	MWH	91,970	77,496	73,496
Waste produced	MT	1,322	449	799
% of waste diverted	MT	64%	74%	71%
Water usage	KGAL	37,301	27,750	28,275

*2021 energy values will be verified in Q2 2022, and final figures will be disclosed in the CDR. All data represents U.S. figures only.

Our employee grassroots initiative, the Green Team, implements practices to help reduce our environmental footprint and promote green practices among employees. In 2021, the Green Team hosted on-campus recycling events to keep electronics and paper out of landfills. Through these efforts, we were able to recycle 3,516 pounds of electronics and 6,000 pounds of paper. Additionally, the Green Team hosted a volunteer event in October to help Trees Forever plant 58 trees around Weeks Middle School in Des Moines.

Getting back to nature to reduce emissions and improve health

As part of our strategic campus renovation, where we improved the efficiency and work environment in many of our existing offices at our headquarters, we no longer needed the 680 8th Street and 575 7th Street buildings. These buildings had come to the end of their lifecycle, so we decided to tear them down. During demolition, we were very mindful of the environment as well as our surrounding neighbors. At 680 8th Street, more than 81% of the demolition waste was recycled (1,267 tons) and at 575 7th Street, 94% (6,932 tons) was diverted from landfills and was recycled. More than 30 tons of furniture from the buildings was donated to more than 10 local nonprofit organizations in the Des Moines area. Collectively, the GHG reductions of the buildings was 2,320.5 metric tons of CO₂e; that is equivalent to removing 505 passenger vehicles from the road.

In place of the building there is now an attractive green space named Keo Green, which was completed in the fall. Employees of Principal planted 50 trees in the green space, further improving the aesthetic and carbon sequestering power of this new outdoor area. Keo Green sits along a prominent gateway to downtown and serves as the north entrance to our corporate campus. The sign greets passers-by with a clear declaration of our global role in financial services. With that, this sign is not only a greeting for employees, but to the entire community.

Keo Green can serve as a great place to bring a blanket, sit on the grass, and enjoy the outdoors when Mother Nature provides us with a beautiful day. It is also a prime space to take in the view of our campus.



PRACTICES

Integrity in our business practices

We pride ourselves on our legacy as an ethical company. This has always set us apart.



05



Corporate governance

Good governance is essential for any sustainable business and is especially important for financial service companies like ours, which are dependent on public trust. Our Board and management regularly review best practices for corporate governance and modify policies and practices as necessary.

Our corporate governance approach in action

- Board independence: 92% of directors are independent (12 out of 13).
- Board diversity: 62% of directors are women or people of color (eight out of 13).
- All board committees are composed entirely of independent directors.
- A director resignation policy is invoked if the support of a majority vote of shareholders isn't achieved.
- A policy monitors directors' service on other public company boards.
- Director assessments are conducted as needed alongside those that are a part of the director nomination process.
- Robust shareholder engagement program obtains valuable feedback on our compensation and governance programs.
- CEO succession plans are reviewed annually by the independent directors, with and without the CEO present.

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. In 2021, no charges were filed by any regulator against Principal for corruption. To ensure our employees stay vigilant, they receive annual training.

Links to policies and related resources:

[Anti-bribery and corruption policy](#) | [Anti-money laundering policy](#) | [Global Code of Conduct](#) | [Reporting fraud or unethical conduct](#) | [OFAC/Sanctions Policy](#) | [Political activity policy](#)

Global Code of Conduct

The Global Code of Conduct (herein referred to as the "Code") is our foundation for ethical behavior and business conduct. Ethics and integrity are central to who we are. Our core values (among them, "Do what's right") serve as the foundation for ethical decision-making across the company. Every director and employee of Principal, regardless of function, position, or location is accountable for following the Code. All employees annually certify that they have read the Code and agree to abide by it.

Read our [Global Code of Conduct](#) (PDF).

In 2021, 99% of employees across the company completed computer-based training (CBT) on the Code, which totaled 4,672 training hours. In 2022, we plan to roll out a new CBT for our Code, which will include training topics related to human rights and human trafficking. As part of our ongoing commitment to the U.N. Global Compact, we plan to release our new human rights statement in early 2022.

All Board of Directors members received training on anti-money laundering in 2021. Principal remains committed to delivering training materials on anti-corruption to our Board of Directors on an annual basis.

Principal believes that all business decisions should be made objectively and in the best interests of our company,

including impacts to our stakeholders. If our employees or business partners need to report concerns about unethical or fraudulent activity pertaining to Principal, they can submit a report through the Ethics Hotline by phone (U.S. only) or submit an online reporting form. Both offer anonymous options. Concerns reported anonymously go directly to a third party not affiliated with Principal.

[Read about our corporate governance overview, Board and committees, corporate governance guidelines, and policy on director independence.](#)

Links to policies and related resources:

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

Code training is one significant part of our ethics and compliance training and awareness program. Training topics also covered by the ethics and compliance program and delivered to designated employees include:

- conflicts of interest (5,309 global employees),
- preventing antitrust and competition law violations (299 U.S. employees),
- anti-money laundering (1,160 global employees),
- anti-bribery and corruption (4,683 global employees), and
- financial exploitation of elder and vulnerable adults (468 U.S. employees).

Board of Directors

Board diversity

Having diverse representation of experience, knowledge, and background of the Board of Directors is a valued objective of ours. In addition to other considerations, when recruiting new directors, the Nominating and Governance Committee reviews the Board's diversity. Characteristics for diversity include—among other criteria—age, race, gender, national origin, backgrounds, experiences, and areas of expertise.

The current Board reflects these values. As of December 31, 2021, 62% of the members on our board of directors are diverse.



12 out of 13

Independent members



Five out of 13

Female directors



Four out of 13

Directors who are people of color

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 \(PDF\)](#).

The Board held 21 meetings in 2021, five of which were in-person meetings that spanned two days. All Directors attended at least 75% of the board and committee meetings in which that Director was a member.

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

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

The enterprise 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, current and planned mitigation, 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 business partners globally. The Charter of the Nominating and Governance Committee is charged to “review environmental and corporate governance responsibility matters of significance to the Company.” The review process includes our performance against specific sustainability metrics, such as carbon emissions reductions, waste diversion, and water consumption. Senior management reports the company’s progress 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 information technology (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 ensure this is aligned to business requirements and regulatory focus on operational resilience. We remain flexible in processes and procedures to implement risk-based considerations (e.g., climate risk or ransomware) within the business continuity exercises allowing us to adjust based on internal/external factors. Further, we regularly assess ESG commitments across Principal using a risk-based approach that includes but is not limited to the following: human capital and rights, product and governance oversight activities (organizational structure, committees, etc.), data privacy, cyber, and scope 1, 2, and 3 progress.

Mortality and morbidity risk management

Principal employs a variety of risk management practices that 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 mitigates 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 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 enforce management processes if necessary.

Cybersecurity and privacy

At Principal, safeguarding the confidentiality, integrity, and availability of information is one of our highest priorities. Therefore, we protect information in many ways—from ensuring our buildings are secure, to proactively preparing for disasters and business interruptions, to using secure computing practices.

Principal also believes in protecting the confidentiality of the personal data entrusted to us by our customers, employees, business partners, and other individuals. We limit access to personal data to those with a business need, and only disclose such information as required or permitted by law. Our enterprise approach combines information security, privacy, and data governance to foster a culture of data protection.

Data protection practices

Information at Principal is kept secure and confidential through various security features and procedures. Throughout 2021, we made the following enhancements to our cybersecurity and privacy practices to support our strategy of constantly looking for opportunities to improve these features and procedures:

- increased our awareness and training efforts focused on the dangers of phishing,
- invested in cloud security training for employees across the organization,
- established formal procedures to satisfy our security control standards,
- focused our attention on resiliency considering worldwide emerging ransomware risks,
- added insider threat and attack surface management capabilities,
- enhanced our call center authentication processes to further improve security measures already in place,
- continued to grow our cybersecurity team, which is now at 200+ employees globally, and our enterprise privacy team, which doubled in 2021, and
- incorporated additional NIST-based privacy controls into our information security control standards.

As threats evolve, the way we monitor, manage, and respond to data security breaches and cyberattacks also progresses. Below are examples of new or enhanced operational measures in place to help mitigate these threats:

- **Threat detection and response:** Principal utilizes an extensive collection of technology solutions, including a security monitoring platform, endpoint detection/response, malware sandbox, network intrusion detection, and a rogue wireless monitoring system. Information from these systems is consolidated into a security information and event management (SIEM) tool that effectively combines network intelligence, context correlation, vector analysis, anomaly detection, hotspot identification, and automated mitigation capabilities to help identify, manage, and eliminate network attacks and maintain network security compliance readily and accurately
- **Logging and monitoring:** Successful login attempts, user activity, and critical network functions are also logged, centrally stored, and monitored using the SIEM system. On average, the system collects more than 1 billion events per day across all perimeter devices and key infrastructure on the network. Typically, about 100 of these events rise to the level of manual investigation.
- **Suspicious activity:** If unauthorized activity or an attack occurs, the sensors will detect the abuse in real time, forward alarms to an administrator, and/or perform automated or manually induced blocking functions. A dedicated cyber defense investigation (CDI) team researches unauthorized activity or attacks, performs forensics, analyzes logs, and more. Playbooks for investigations and responses are documented and followed. A hotline number is also available for employees to report cybersecurity incidents.
- **Threat intelligence:** Our Threat Intelligence Program creates awareness and understanding of potential cyber adversaries. Information gathered from a variety of internal and external sources is analyzed, verified, and reported on as needed to help protect our technology environment and enable us to make informed risk-based decisions, and occasionally reach out to customers to inform them of targeted activity
- **Simulated cyberattacks:** Our Red Team performs simulated cyberattacks on the organization no less than four times a year to assess our ability to defend against real-world attacks. The Red Team's activities mirror a specific and known attack through all phases of the cyber kill chain. At the end of a simulation, the Red Team summarizes opportunities for improvement to help us continuously advance our defense techniques and protect the organization from attacks.
- **Insider risk:** Our Insider Risk Management Program formalizes controls and processes aimed at identifying, detecting, protecting, and responding to unintentional and malicious actions by insiders that present a potential threat to the organization.

Risk assessment

Privacy risk assessment process

Principal is committed to reviewing, documenting, and mitigating privacy risk any time customer or employee personal data is used or shared. We do this by completing privacy risk assessments (PRAs) during the planning process of internal business projects and engagements with third parties.

Our privacy risk assessment process is twofold:

- **A privacy threshold assessment (PTA):** A PTA is a preliminary review of how personal data may be used in a new or updated business process. The PTA will determine if a full privacy impact assessment is needed.
- **Privacy impact assessment (PIA):** A PIA is a documented, in-depth evaluation that is designed to identify and mitigate potential privacy risks.

Other ways we protect information

- Information Security and Risk collaborates with other areas across the enterprise to provide **10 information security and privacy-related online courses** to new hires within their first month of employment and to existing employees on a quarterly basis. In 2021, 96.4% of newly hired employees completed cybersecurity trainings. Additional **role-based training** (e.g., access management, cloud security, secure software, etc.) is also required annually for security professionals. For example, 3,163 employees participated in secure software training in 2021, with a completion rate of 97.3%.

Our risk oversight and operational diligence has contributed to us not experiencing any significant security incidents in 142 years of being in business.

- All employees must complete and sign a confidentiality acknowledgement, which is also required on a regular cadence during every employee's time at Principal.
- Principal provides information about privacy practices to its customers and employees in several ways. We provide privacy notices to employees and customers as required by law and explain how Principal may collect, use, store, transfer, and safeguard personal data. Our [global privacy policy](#) and standards outline the privacy principles with which all Principal workers are expected to comply. Our [online privacy policies](#) also detail how personal data may be collected, used, or shared at Principal.
- Principal facilitates a **phishing simulation program** to train employees to recognize and report phishing attacks. Employees receive at least two phishing simulations each quarter. Targeted employee groups may also receive additional phishing simulations to help increase their confidence when it comes to spotting phish. We closed out 2021 with the following averages for our simulation program:

2021 phishing simulations average results*

Users who failed	5.94%
Users who reported tests	46.68%
Users who failed 3 or more phishing tests in the last 12 months*	1.35%

* As of January 21, 2022

- We regularly conduct **supplier risk reviews** to help ensure access to and the proper handling of confidential, personal, and/or proprietary data.
- Our **Enterprise Written Information Security Program** aligns with the **National Institute of Standards and Technology (NIST) Cyber Security Framework** functions: identify, protect, detect, respond, and recover.
- We have **cybersecurity insurance** that provides network security and privacy liability insurance coverage. It includes any network security or privacy event discovered during the policy period affecting a majority-owned member company of Principal and events originating from our third-party service providers.
- Several **information security control measures** roll up into a metric on our **Corporate Balanced Scorecard** for increased visibility, oversight, and accountability across the enterprise.
- **Information security is a board-level topic**, so quarterly board reports include key metrics, an overview of the threat landscape, progress on strategic initiatives, and timely awareness topics.
- **Annual cybersecurity incident response exercises** are conducted and involve business recovery leaders, as well as senior management. Quarterly reports to the audit committee of the board include key privacy metrics and progress on enterprise privacy initiatives. Additionally in 2021, the full board of directors participated in a **dedicated data privacy education session**.
- Our **Cybersecurity Working Group**—made up of individuals with expertise from privacy, legal, compliance, risk, audit, and other functions—provides valuable input and feedback to formal information security governance groups.
- To help validate the effectiveness of our security program, we conduct an **external maturity and risk assessment** every two years and an external maturity assessment of the secure software program every three years. Enterprise-level **external penetration tests** occur annually.

Public policy outreach and advocacy

Here at Principal, we're also involved in various external cybersecurity, data protection, and privacy efforts.

Principal is an active participant in the **Financial Services Information Sharing and Analysis Center**—a global cyber intelligence sharing community focused on financial services that leverages its Intelligence platform, resiliency resources, and a trusted peer-to-peer network of experts to anticipate, mitigate, and respond to cyber threats.

We're also an **advisory board member** to the nonprofit **Cyber Readiness Institute**. Through this collaboration, our goal is to make cyber readiness understandable and achievable for small and mid-sized businesses around the world, creating a safer cybersecurity landscape for all.

We're a **member of the Society of Professional Asset Managers and Record Keepers**, which is a U.S.-based advocacy organization for the retirement plan industry focused on issues of policy, regulation, and privacy at the federal level that aims to strengthen retirement security.

We're also a **member of the International Association of Privacy Professionals (IAPP)** and have several IAPP Certified Information Privacy Professionals (CIPP/U.S.) and Certified Information Privacy Managers (CIPM) on our privacy team.

Finally, we have representation on the **Privacy Committee of the American Conference of Life Insurers (ACLI)** and the **Investment Company Institute (ICI) Privacy Issues Working Group**.

At Principal, our collaborative approach to data security, privacy, and governance positions us well to navigate the complex and evolving global data security and privacy landscape. Our cross-functional teams understand these difficult risks and work collaboratively to create a global culture of responsible data protection, enabling Principal to use data sensibly and strategically in our innovative, customer-focused business strategy.

Links to policies:

[Online privacy policy](#) | [Security policies](#) | [European Economic Area online privacy policy](#)



Supplier diversity

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

Our goal is to source at least 9% of our total spend in the U.S. from diverse suppliers. In 2021, we achieved nearly 100% of our goal by spending 8.9% of our total U.S. spend from suppliers that are either women-owned or owned by people of color.

2021 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 two reporting from non-diverse suppliers and improved communication on timing and reports.
- We expanded our goal of spending at least 9% of total U.S. spend with diverse suppliers to both tier one and tier two suppliers individually.

2022 program goals

- Update our Supplier Code of Conduct by integrating more comprehensive sustainability related guidelines, thereby encouraging our suppliers to remain committed to positive social and environmental performance.
- Research and evaluate supply chain management solutions to help manage supplier risk, environmental performance, and human rights.
- Continue to drive inclusion through category management and a preferred supplier program.
- Allocate 9% of U.S. spend with diverse suppliers for both tier one and tier two vendors.

We expect all suppliers, vendors, and businesses we do business with to comply with our Global Supplier Code of Conduct, and/or our Global Code of Conduct.

[Supplier Diversity | Principal](#)



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

Our commitment to human rights

Respecting human rights is a core value at Principal. As a participant in the U.N. Global Compact, we are committed to the Ten Principles on human rights, labor, environment, and anti-corruption.

Principal respects and supports human rights principles as defined by the principles of the Universal Declaration of Human Rights (UDHR), the International Labor Organization's Declaration on Fundamental Principles and Rights at Work (ILO Declaration), the United Nations Global Compact, and the United Nations Guiding Principles on Business and Human Rights. We will not tolerate human rights violations of any kind, including human trafficking or slavery, forced labor, and child labor, and we are committed to implementing effective systems and controls to prevent violations

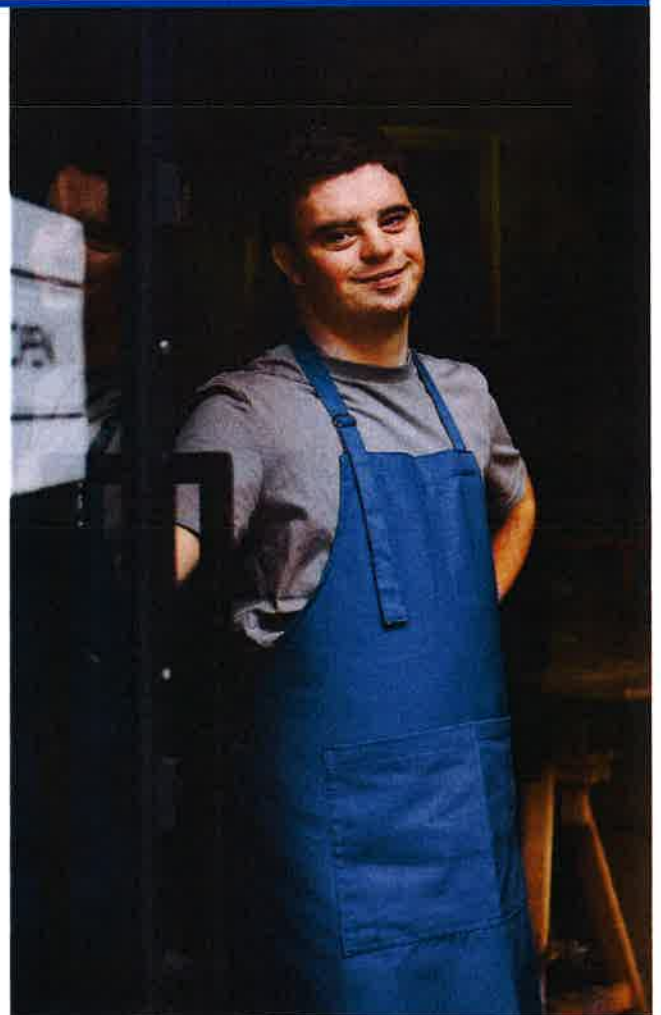
As a global company, we're committed to nurturing an inclusive and diverse workforce based on the highest ethical standards and a dedication to fairness, integrity, and trust.

from taking place anywhere in our business or supply chains.

As a global company, we're committed to nurturing an inclusive and diverse workforce based on the highest ethical standards and a dedication to fairness, integrity, and trust. We strive to uphold the principles set forth in these standards and expect our employees, business partners, suppliers, vendors, and those who sell our products to adhere to these same standards.

Violations of our commitment to human rights are to be reported to our Ethics Hotline or submitted via written format in our online reporting mechanisms.

Read our [Human Rights Statement](#) and find it within our [Global Code of Conduct](#)



PRODUCTS & SERVICES

Responsible investment practices

"We believe how we do things is just as important as what we do. Ethical corporate governance, social responsibility, and sustainability are the values we're committed to living out every day."

Pat Halter
CEO of Principal Global Investors



06



Principal Global Investors

The commitment of Principal Global Investors to responsible investing revolves around one key factor: dedication to our clients' best interests.

Principal Global Investors comprises multiple specialist investment teams and manages assets on behalf of a broad range of sophisticated investors in more than 70 countries including public and private pension funds, foundations and endowments, central banks, insurance companies, sub-advisory arrangements, sovereign wealth funds, and individual investors. Given the global span of our investment services, staying at the forefront of ESG regulatory changes and listening to our diverse client base to translate their ESG preferences into investment solutions is key.

In 2021, Principal Global Investors established the ESG Oversight Committee to assure alignment of new and existing investment options and strategies with the appropriate Principal Global Investors-

wide ESG framework. Additionally, the Committee reviews global policy accord recommendations and regulatory/industry policy submissions. The chairperson of this committee, Christopher Reddy, also sits on the corporate ESG Task Force and represents our responsible investment efforts to ensure consistent strategy, communication, and alignment between the enterprise and Principal Global Investors.

The Principal Global Investors ESG Investment Council supports sharing of ESG best practices among investment professionals when constructing and managing client portfolios. Historically reliant on our specialist investment teams and our global support functions to promote and educate on our ESG expertise, in 2021 we built out our dedicated and centralized ESG Leadership team focused on ensuring our investment professionals have the information and resources needed to create and maintain ESG investment products and solutions for clients.

Total \$590.6B AUM*

Principal Global Investors ESG Leadership Team



CHRIS REDDY
Executive Director
Investments & Client Solutions



DANIELA SPASSOVA, CFA
Managing Director
Investments & Client Solutions



JEFF VORWERK, CIMA
Strategic Portfolio Director
ESG Operations

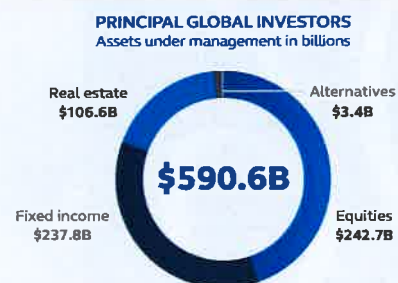


SYD DEL CID
Senior ESG
Research Analyst



RYAN FITZGERALD
ESG Stewardship &
Engagement Analyst

Our AUM by Asset Class



*AUM as of December 31, 2021. Due to rounding, figures and percentages shown may not add to the totals or equal 100%.

Our philosophy

At Principal Global Investors, our commitment to responsible investing and ESG issues revolves around a key factor—our fiduciary responsibility to our clients. Acting in their best interests comes first and foremost. Our approach to responsible investing is always driven by that priority. As 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 helping support their financial goals.

ESG offers the potential to enhance security analysis by providing a holistic view of the factors driving risk and return. ESG factor examples include:

Environmental

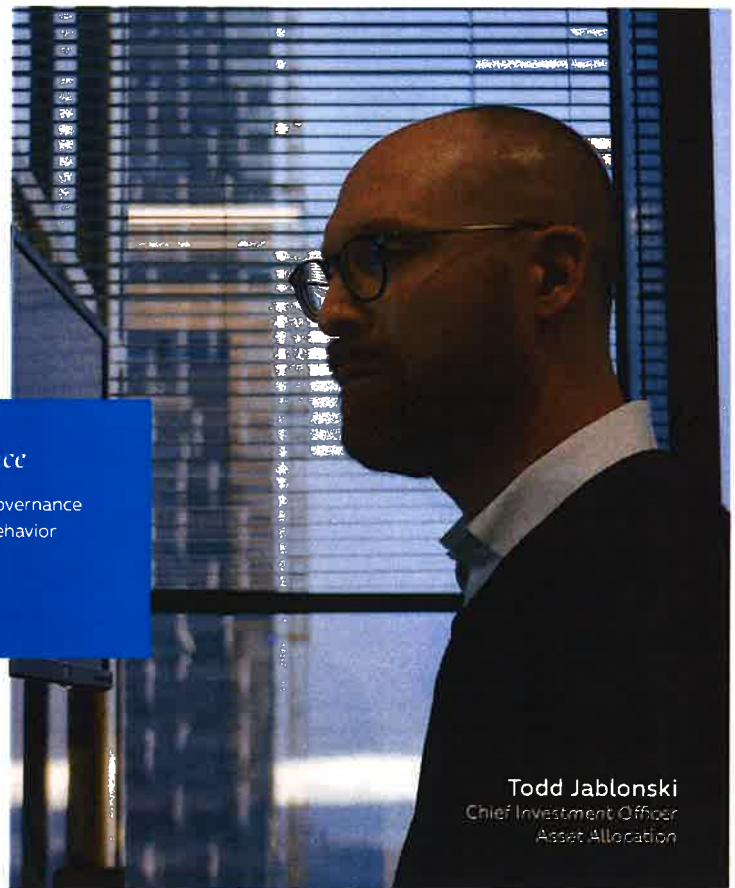
- Climate change
- Natural resources
- Pollution and waste
- Environmental opportunities

Social

- Human capital
- Product liability
- Stakeholder opposition
- Social opportunities

Governance

- Corporate governance
- Corporate behavior



Todd Jablonski
Chief Investment Officer
Asset Allocation

Sustainable products

Regulatory changes in Europe have led to alignment of existing and new products with new ESG-related standards.

Sustainability via our ESG integration practices is an inherent part of our investment strategies and products, but with changing client demands, regulatory influence and the need for more transparency in sustainable investment management, we have focused on converting and launching new funds that comply with heightened expectations, by regulators and clients alike, as sustainable. For products domiciled (or marketed) in the European Union, the recently launched Sustainable Finance Disclosure Regulation (SFDR) is an enhanced classification system that helps to highlight to investors the various levels of ESG and/or sustainability integration among products. SFDR classifies financial products into three categories:

- Article 6 products do not integrate any kind of sustainability into the investment process.
- Article 8 products promote environmental or social characteristics.
- Article 9 products have an objective that includes sustainable investment outcomes.

In 2021, four existing products were converted to Article 8 status under SFDR and many more products are in the process of converting. Additionally, we've launched four new funds; two with enhanced ESG integration features, a thematic fund focused on environmental infrastructure best practices, and an impact fund that is aligned with the United Nations Sustainable Development Goals (U.N. SDGs).

Product	Description	Status
<i>Global High Yield Fund</i>	SFDR Conversion	Article 8 conversion
<i>Preferred Securities UCITS</i>	SFDR Conversion	Article 8 conversion
<i>Post Short Duration High Yield Fund</i>	SFDR Conversion	Article 8 conversion
<i>Global Responsible Equity UCITS</i>	SFDR Conversion	Article 8 conversion
<i>Sustainable Asia Income Fund</i>	New Fund	ESG integration—enhanced features
<i>Principal Sustainable Dynamic Bond Fund</i>	New Fund	ESG integration—enhanced features
<i>Global Sustainable Listed Infrastructure Fund</i>	New Fund	Article 9; thematic
<i>Muni Impact SMA</i>	New Fund	Impact

U.N. SDG alignment

As we continue to align our responsible investments to the U.N. SDGs, our scope has expanded past the initial seven included in our public commitment. These goals are highly interconnected and when applied together create a stronger strategy for transformation as well as lead to a larger investable universe. While we are still in the process of taking inventory of our alignment to U.N. SDGs 1,4,7,8,10,13, and 16, the below inventory captures our ongoing work of integrating U.N. SDG alignment into new and existing products as well as our corporate sustainability bond, the pillars of responsible property investing initiative, and continuous ESG engagement work.

Goal Product/strategy alignment



- Muni impact SMA
- Corporate Sustainability Bond
- Pillars of Responsible Property Investing Initiative



- Muni impact SMA



- Engagement - Principal Global Equities



- Global Sustainable Listed Infrastructure Fund
- Muni impact SMA
- Pillars of Responsible Property Investing Initiative

Goal Product/strategy alignment



- Global Sustainable Listed Infrastructure Fund
- Corporate Sustainability Bond
- Pillars of Responsible Property Investing Initiative



- Global Sustainable Listed Infrastructure Fund
- Pillars of Responsible Property Investing Initiative



- Global Sustainable Listed Infrastructure Fund
- Pillars of Responsible Property Investing Initiative
- Engagement - Principal Global Equities
- Corporate Sustainability Bond



- Product - Infrastructure Fund
- Pillars of Responsible Property Investing Initiative
- Corporate Sustainability Bond

Goal Product/strategy alignment



- Pillars of Responsible Property Investing Initiative
- Engagement - Principal Global Equities



- Global Sustainable Listed Infrastructure Fund
- Pillars of Responsible Property Investing Initiative
- Engagement - Principal Global Equities



- Pillars of Responsible Property Investing Initiative



- Pillars of Responsible Property Investing Initiative
- Engagement - Principal Global Equities
- PFG and Principal Global Investors are signatories/participants in the following organizations:
 - UN PRI (Principles of Responsible Investment)
 - Better Building Alliance
 - Environmental Protection Agency
 - United States Green Building Council
 - Energy Star Partner
 - Global Real Estate Sustainability Benchmark ("GRESB")
 - U.S. Department of Energy Better Buildings Initiative
 - The Council of Institutional Investors (CII)
 - The International Corporate Governance
 - Investor Alliance for Human Rights

Integrating ESG principles

Principal Global Investors ESG-Integration evolution

1990s

Began managing custom screened, socially responsible mandates for institutional clients

2010s

Became a signatory to the Principles for Responsible Investing (PRI)

2020s

Maintains:

- Strong ESG Integration capabilities
- Internal ESG Ratings
- ESG Guiding Policies
- Principal Global Investors ESG Investment Council
- Principal Global Investors ESG Oversight Committee

For Principal Global Investors, ESG integration means incorporating those issues that are material and relevant to the evaluation of sustainable earnings trends, sentiment, and valuations. In our view, considering ESG factors can potentially improve investment outcomes as it:

- enhances our investment management capabilities and drives results by aligning interests,
- provides a deeper perspective,
- facilitates operational excellence, and
- thereby, potentially reducing risk, and powering a competitive advantage.

Integration of ESG factors takes place across all asset classes that Principal Global Investors actively manages.

The integration approach is determined by the specific investment process of the underlying asset class, whether it's equities, fixed income, asset allocation, or real estate. Our ESG Oversight Committee has worked with each investment team to help categorize ESG integration as foundational, enhanced, thematic or impact where applicable.

Our [Responsible Investment Policy](#) lays out our approach to ESG integration.

Principal Global Investors responsible investing continuum

Throughout our responsible investing continuum, ESG stewardship and engagement is a critical part of our strategy. Our investment process includes engagement with companies on ESG matters, not only to maximize shareholder value and long-term returns, but also to promote greater transparency, awareness, and adherence to higher ESG standards by encouraging companies to disclose the relevant ESG metrics through public reporting.

Read more about our [Principal REIT engagement policy statement](#), [Principal Global Equities engagement policy statement](#), and our [EFAMA Stewardship Code](#)

SCREENING	ESG INTEGRATION		THEMATIC	IMPACT
	FOUNDATIONAL	ENHANCED FEATURES		
The exclusion or inclusion of certain sectors, companies or practices based on specific ESG criteria	Main objective is performance while demonstrating ESG integration and engagement. Three major integration methods: ESG score as an added factor, ESG score as a filter, individual E, S, and G scores as filters. We define foundational ESG integration as using an ESG score as another risk factor.	Main objective is performance while demonstrating ESG integration and engagement. Strategies that integrate ESG into the investment process and commit to promoting specific ESG characteristics, which could include: <ul style="list-style-type: none"> • Sector/Security Exclusions • Carbon Risk Management 	Investment in themes or assets specifically related to sustainability (for example clean energy, green technology or sustainable agriculture)	Targeted investments aimed at solving social or environmental problems, and including community investing that generate measurable environmental or social impact.

STEWARDSHIP AND ENGAGEMENT

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

Engagement case study: Company X's ESG update

In March of 2021, as part of Principal Global Equities engagement process, the investment analyst spoke with Company X (CPX) regarding general business updates as well as to ask about its ongoing ESG efforts. CPX iterated its recently announced three targets: sustainability, diversity, and economic mobility. Sustainability has always been more prominent in the real estate side of the business. But it's trying to develop internal measures to enable tracking and disclosure for portfolio companies as some of the current frameworks, such as SASB, do not exactly meet the needs of what they want to measure (although they did admit that they'll eventually have to adhere to whatever framework the market deems as the "winner"). The level of confusion on what sustainability framework to adopt (SASB/TCFD/SDGs) from companies large to small is still a hurdle to overcome for widespread adoption.

In November, CPX issued its ESG update whereby it had become a TCFD adopter. Our analyst engaged again discussing the merit of joining the TCFD as the topic was broached during the March meeting. Investor Relations responded that TCFD had informed CPX's climate strategy to date, and it had officially become a TCFD supporter in October 2021. We also asked for follow-up tracking metrics for portfolio companies and their Carbon Footprint Assessment. While the carbon footprint mentioned in the ESG update related to Company X's carbon footprint, it also has a project underway to measure emissions of its investments. In all, we felt the positive impact of our engagement and are encouraged by the progress the company made in eight months on the TCFD front, which demonstrates its commitment to more transparency and reporting on the ESG front.



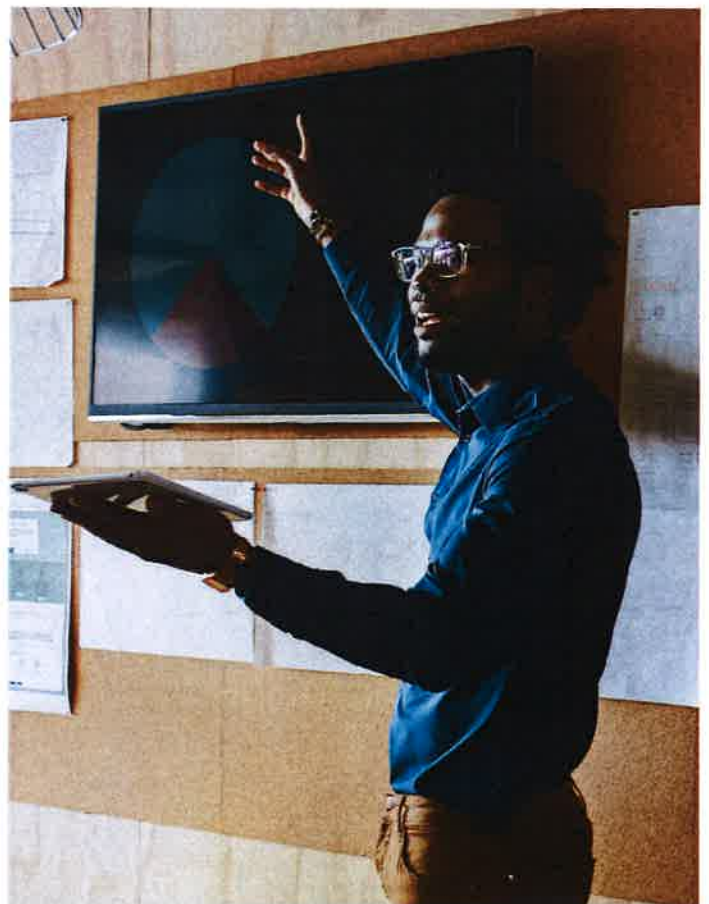
Equities

For equities, the consideration of ESG factors is in direct alignment with our focus on businesses becoming better. We have a client-first approach centered around due diligence that ensures we are fully aligned with the interests of each client we serve and the governing fiduciary standards of each jurisdiction in which we operate. Our analysts are best placed to determine the importance of such factors in relation to a specific security or sector. The analysts provide essential insights into industry trends and company-specific considerations integrating ESG factors into their final investment thesis. For example, the energy transition permeates many sectors and can impact a businesses' durability. Our equities teams embrace the clean energy imperative and are focused on companies who demonstrate strong progress and commitment to carbon reduction and renewable energy initiatives in their capital investment plans. These insights and considerations have always been crucial to the evaluation of sustainable competitive advantages and risks at a company-specific and industry level.

\$4.2B in custom-screened socially responsible investments

We also utilize a proprietary sustainability framework based on third-party ESG scoring systems and underlying ESG metrics that identify companies with high ESG performance, as well as companies whose sustainability performance is improving. We pair this analysis with the avoidance of "bad actors" or companies that knowingly exploit economic externalities at the expense of others as a way of mitigating risk. Finally, our active engagement creates a consultative relationship where we focus on the company's sustainability journey and share our views and preferences on pertinent ESG priorities.

[Read more about Principal Global Equities ESG Integration Practices](#) and [Principal Global Equities Engagement Policy Statement](#).



Responsible proxy voting

Principal Global Investors has adopted and implemented written proxy voting policies and procedures that are designed to reasonably ensure that proxies are voted in the best interests of those advisory clients who have authorized us to address these matters on their behalf. Our guiding principles in performing proxy voting are to make decisions that:

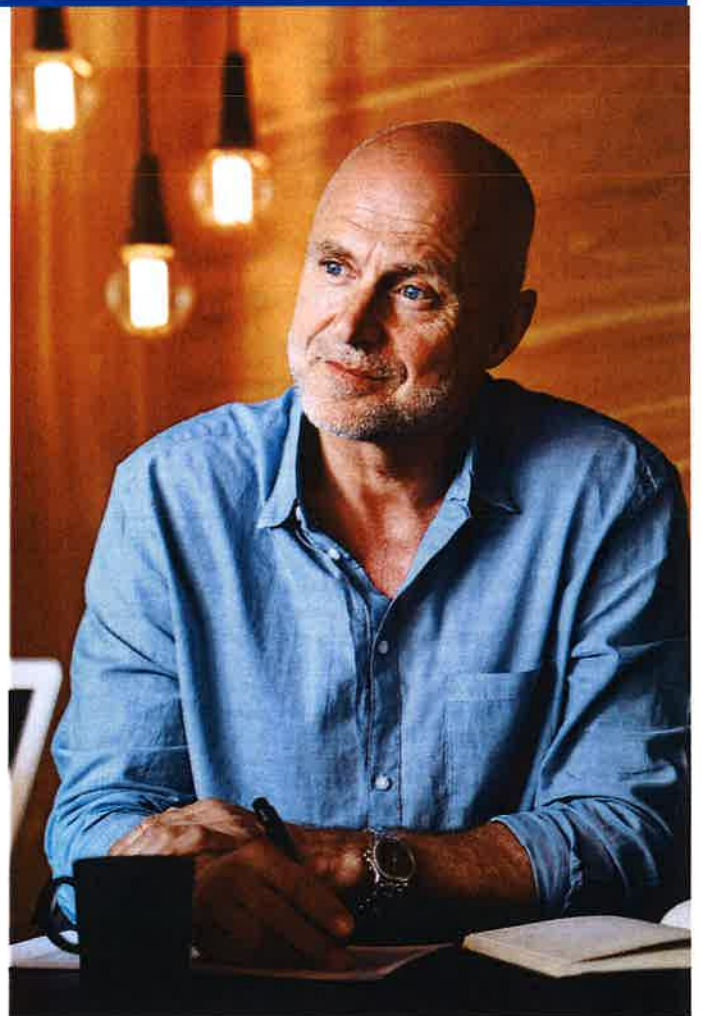
- favor proposals that have the potential to maximize a company's shareholder value
- are not influenced by conflicts of interest.

Our [Proxy Voting Policies and Procedures](#) are designed to guide us in voting proxies, not necessarily in making investment decisions; our portfolio management teams base their investment decisions on a variety of factors.

Principal Global Investors' general Proxy Voting Policy uses the [Institutional Shareholder Services, Inc. \(ISS\) Standard Proxy Voting Guidelines](#),² except where a portfolio management team may decide to diverge from the guidelines.

During 2021, of the 5,385 votable meetings, Principal Global Investors voted in 5,351 meetings, including 17 proxy contests. The votes cast on ballots during the reporting period are aligned with management recommendation in 90% of cases, which matches the ISS Benchmark Policy recommendations. Across categories, votes cast on management proposals show the closest alignment to the ISS Benchmark Policy guidelines, which include climate change and greenhouse gas emissions, board diversity, sustainability reporting, and ESG compensation related proposals.

[Learn more about how our proxy voting aligns with our shareholder engagement.](#)



Fixed income

In fixed income, ESG Integration within the investment process is utilized for the purposes of risk management and alpha generation. Our research teams are organized by areas of industry sector specialization, and our analysts are responsible for providing essential insights into industry trends and company-specific considerations, which may include certain ESG issues deemed material and relevant to the evaluation of sustainable earnings trends, sentiment, and valuation. Every corporate issuer in our coverage universe is assigned a specific ESG score, with all assessments captured via the ESG scoring grid. That score is an essential deliverable of investment thesis. Both industries and issuers are scored using this model.

[Read more about Principal Fixed Income's ESG principles.](#)



How it all comes together

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

Assign a specific ESG score for each issuer in the investment-grade (IG) and high-yield (HY) universes as follows:

This score, a numeric-based system ranging from 1-poor to 10-excellent, indicates that analyst's overall assessment of the company's ESG standing. Our 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.

Explicitly utilize independent ESG score within FTV framework.

The analyst's independent ESG score factored into the fundamentals component of our FTV (fundamentals, technicals, valuations) framework, and accounts for a meaningful portion of the total fundamental score.

ESG Implementation

Our flexible investment process allows for multiple ESG construction options; including screening, full ESG integration and impact/thematic investing.

Investment Universe

IG-Over 1,000 issuers

HY-Over 1,000 issuers

Surveillance
IG: 600 HY: 575
ESG Score

Focus List
IG: 225
HY: 400

Portfolio

Principal Global Fixed Income (PGFI) ESG Scoring Grid

Our scoring system seeks to increase clarity and comparison of a company's ESG standing. The methodology used seeks to account for the current ESG risk management practices of the company, the future direction, and plans of the company to address existing risks, as well as the financial impact that could result from poor ESG management.

Company ABC - ESG Score Sheet
Ticker ABC
Sector: Construction Machinery

Factor	Subfactor	Suggested items of consideration	Subfactor scoring	Subfactor weight	Factor weight	Analyst comments
Environmental	Toxic and carbon emissions	Percentage of operations with high/moderate/low carbon and toxic emission intensity and policies in place to manage/reduce emissions	10	20%		Has achieved best practice ISO 14001 certifications for some of its facilities and has ISO 14001 audits (internal and third party) to mitigate toxic emissions risk.
	Environmental opportunities	Degree to which the company is investing in renewable energy, clean technology and green building	9	20%	40%	Spending on clean tech scarce. Offers hybrid trucks and buses. NAV offers cleaner engines with better fuel economy and reduced NOx emissions.
	Optional other			0%		
Social	Health/safety/nutrition	Risk and management of health- and safety-related issues that can lead to accidents causing production disruption, litigation, liabilities, etc.; nutritional evaluation of product portfolio	10	20%		Health & Safety policy and procedures put in place. Low workplace accidents.
	Workforce & community management	Ability to adequately motivate, compensate, retain and manage workforce; high reliance on skilled workers; jurisdictional & community relationships; supply chain labor standards	7	20%	40%	ABC could improve by undertaking employee channel checks (surveys, etc.). Retention programs would also improve worker engagement.
	Optional other			0%		
Governance	Board evaluation	Factors include CEO/chairman independent, entrenched board, board member experience, the presence of key committees (audit, compensation, etc.)	7	10%		Independent majority, CEO/Chairman Combined. VW holds two board positions. Holds meetings in absence of executives. Fully independent audit committee.
	Management evaluation	Factors include management tenure, relevant experience, compensation & incentives	9	5%	20%	CEO and CFO 6-year tenure. Applicable experience. Compensation adequate versus industry but does include early vesting provisions.
	Business ethics	Risk and history of ethics issues such as fraud, corruption, misconduct, instability, etc.; anticompetitive practices	9	5%		None. Great track record.
	Optional other			0%		
Total			9	100%	100%	

\$6.6B in custom screened socially responsible investments

As a result, our ESG portfolio construction options include:

Negative screening

We can include a client's specific screening list into their investment management agreement. Alternatively, we can incorporate third-party lists to exclude categories like banned weapons or United Nations offenders.

Full ESG integration

We can exclude all issues with poor ESG scores from the portfolio. We can construct the portfolio so that its portfolio ESG score is higher than that of the relevant benchmark index.

Thematic & Impact

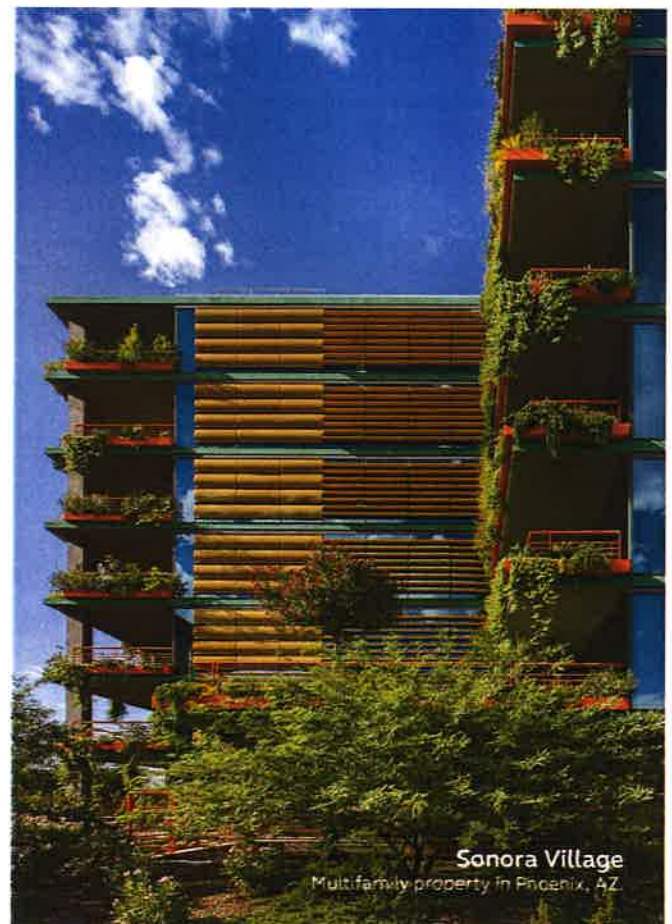
We have the capability to focus on themes or sectors to solve specific ESG challenges or deliver positive ESG impact.

Real estate

Principal Real Estate Investors has a long-standing commitment to corporate stewardship and an established track record in responsible property investing. Since 2013, Principal Real Estate Investors and its partners have used a unique, overarching ESG platform called the Pillars of Responsible Property Investing (PRPI) platform. PRPI is a unique, overarching ESG framework developed to drive superior asset management and fiduciary governance and deliver positive financial and ESG results. The PRPI philosophy integrates ESG within every aspect of Principal Real Estate Investors' investment process for private real estate assets, including acquisitions and development, dispositions, operations management, and lending. The PRPI initiative demonstrates our commitment to the U.N. PRI and is a natural progression of our sustainable investment philosophy.

[Read more about our Sustainable Property Investing.](#)

In 2021, Principal Real Estate Investors launched an enhanced PRPI program, which is based on our comprehensive policies, governance framework, reporting practices and research. This platform features five primary areas of ESG focus, which guide our decision making: environmental performance, occupant experience, community impact, climate resilience, and managerial excellence. Further, this framework outlines our ESG expectations throughout the property lifecycle, starting with analysis of key ESG factors during due diligence, an iterative performance improvement cycle during operations, and disposition practices such as sharing key ESG data.



Pillars of Responsible Property Investing

Principal Real Estate ESG Platform

VISION

Through our commitment to responsible property investing and strong governance practices, we seek to invest in real estate that delivers positive financial and ESG outcomes for all stakeholders while promoting health and well-being for our tenants and residents, minimizing our environmental impacts, and enhancing the communities where we operate.

PILLARS



Environmental performance

Minimizing the environmental impact of energy and water usage, waste production, and GHG emissions



Occupant experience

Enhancing occupant well-being by providing healthy, safe, and equitable spaces



Community impact

Connecting with and contributing to the economic and social success of markets where we operate



Climate resilience

Utilizing risk mitigation strategies to help ensure building safety and preparedness for physical and transitional climate risks



Managerial excellence

Ensuring accountability and oversight of ESG policies, operations, data quality, and regulatory requirements

CORNERSTONES

Acquisition/Development

Management & Operations

Measure performance

Investigate opportunities

Engage stakeholders

Implement best practices

Disposition

FOUNDATION

Governance • Policies • Reporting • Research

Climate risk analysis, targets, and initiatives

Climate risk analysis

We assess physical and transition climate risk as part of both our due diligence process for new developments and acquisitions and regularly as part of our portfolio-level property review. Physical risks reviewed include sea level rise, flooding, tropical cyclones, extreme heat, and extreme cold. Identified high-risk hazards are incorporated in the property's design, third-party inspections, capital improvements, and operational

procedures as relevant. Transition risk analysis estimates the property's carbon reduction requirements to comply with the 1.5, 2, and 3 degrees Celsius warming scenarios in the next 15 years and any energy disclosure or reduction requirements to which the property is subject.

Targets and Initiatives

In addition to the enhanced PRPI platform, in 2021 we set our performance targets for 2035. In an effort to enhance ESG

transparency within the real estate asset class, we expanded data collection at the borrower and property level through an enhanced borrower survey and increased utility data coverage of properties without whole-building data, particularly industrial properties. We also initiated new borrower engagement efforts via launching a proprietary toolkit to guide collaboration on ESG initiatives. On the strategy front, the European Core Strategy announced Principal Real Estate Investors' first net

zero initiative and began developing bold carbon action plans to achieve net zero by 2030, in alignment with global efforts to create a zero-emissions world and prevent the worst effects of climate change. Additionally, the Global REITs team launched a thematic and Article 9 fund, the Global Sustainable Listed Infrastructure Fund, that aligns with U.N. SDGs 6, 7, 8, 9, 11, and 13. Learn more about [REITs Responsible Investment and Engagement Policy](#).

Targets*



*The targets stated above may not interrelate.

[†]Principal Real Estate Investors energy and water reduction goals are calculated using energy/water intensity, defined as energy/water use (kWh/m² or gallons/m²) divided by the total energy/water use of the building.

[‡]Building certifications include new development and operational asset certifications for all sectors within the portfolio.

2021 ESG accomplishments and recognition

259

Properties in the Pillars of Responsible Property Investing (PRPI) Initiative

10.2%

Cumulative water savings achieved through PRPI Initiative since baseline year*

15.2%

Percentage of PREI portfolio by square feet with an energy certification, such as Energy Star*

56.1 MM

Square feet in the PRPI Initiative

592,000

Kilogallons of water savings since baseline year*

34

Properties in the office portfolio that are LEED certified buildings

14.0%

Cumulative energy (net) savings achieved through PRPI Initiative since baseline year*

66.4%

Kilogallons of water savings since baseline year*

69

Properties in the PREI portfolio that are LEED certified buildings

\$48.4 MM

Cumulative monetary savings achieved through energy efficiencies in PRPI Initiative energy since baseline year*

34.2%

Percentage of Principal Real Estate Investors (PREI) portfolio with a green building certification, such as LEED*

26

Properties in the office portfolio that are Energy Star certified buildings

135,200

Metric tons of CO₂e reduced as a result of PRPI Initiative since baseline year*

53.6%

Percentage of office portfolio by square feet with an energy certification, such as Energy Star*

31

Properties in the PREI portfolio that are Energy Star certified buildings

ENERGY STAR Partner of the Year

2016-2021

Sustained Excellence Award 2018-2021

GRESB

4-Star rating*

Sixth consecutive year, 2021

*represents top 10% worldwide performance

Green Lease Leader

2017-2019, 2020-2022*

*The information provided is based on data input by individual property teams as of December 2021 into ENERGY STAR Portfolio Manager™, with select review and validation. Baselines represent the start date for the estimated energy, GHG, water, and waste savings calculations described on this page. Office baselines are generally set for the 12 months preceding December 2012, ten years before December 2021. Real Estate Investors join ENERGY STAR Many programs begin individual baselines set according to unique circumstances. Retail and multifamily baselines are generally set for the 12 months preceding December 2012, when they were brought into the Pillars of Responsible Property Investing (PRPI) Initiative. Energy savings vs. Baseline is calculated from individual property baseline periods, which vary depending on the date the properties were purchased. Office building data is occupancy and weather-adjusted residential data is weather-adjusted by ENERGY STAR Portfolio Manager Retail, Residential, and Industrial data may be restricted to non-manufacturing industry tenants. Percent savings vs. Baseline as well as cumulative savings figures include all office, residential, retail, and industrial properties in the PRPI portfolio, including savings on assets previously owned or under ownership by Principal Real Estate Investors (PREI) that are no longer in the portfolio. Cumulative avoided cost is calculated with current state average energy rates provided from the U.S. Energy Information Administration. Source: 2021 Global Real Estate Sustainability Benchmark (GRESB) assessment, data as of 31 December 2020. Rating represents top 40% worldwide performance. Each year, the LEA honors organizations that have made outstanding contributions to protecting the environment through energy efficiency. April 2021 U.S. Environmental Protection Agency (EPA) and the U.S. Dept. of Energy awarded Principal Real Estate Investors the Green Lease Leader with Gold Recognition for two consecutive awards: 2017-2019 and 2020-2022.

ESG and asset allocation

Asset Allocation

As asset allocators, the building blocks that Principal Global Asset Allocation (PGAA) selects when constructing portfolios can be influential in determining the overall ESG sensitivity of a strategy. We first determine the ESG rating for each asset class in our investment universe, using the representative indices as a baseline. Once we progress to the implementation of those selected asset classes, we rely on a qualitative and

quantitative approach to ensure we are building portfolios reflecting our ESG philosophy. From a qualitative perspective, we assess our sub-advisors' commitment to ESG by reviewing their ESG policy, which details its individual philosophy and ESG methodology. All sub-advisors must also 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. To complement this qualitative assessment, we employ a holdings-based ESG analysis across all our portfolios. 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. PGAA believes that using ESG considerations in its investment process allows for superior ESG profiles and enhanced investor returns, without veering from our primary investment objective. [Read more about PGAA Responsible Investment \(ESG\) Policy.](#)

We rely on a qualitative and quantitative approach to ensure that we are building portfolios reflecting our ESG philosophy.



PRODUCTS & SERVICES

Consumer & product impact

We exist to enable financial security and work to reach more people every day. We provide affordable, accessible, and user-friendly products and services to people representing many different backgrounds. No matter where they live or where they are in their journey, they can lean on us for help reaching their financial goals.



07



Educating consumers, promoting fairness, and advancing equity & access

To deliver on our promise to provide affordable, accessible, and user-friendly products, we partner with customer groups to develop comprehensive product design, explore distribution pathways to bridge accessibility gaps, craft more meaningful, relevant and inclusive language, promote ethical marketing, and further refine the role financial products can play throughout the lives of historically underrepresented populations. And the continued emergence of new technology enables us to improve accessibility and provide digital channels, experiences, and financial education—reaching more people. This, in turn, empowers people to make informed and educated financial decisions.

Consumer education

Building financial security requires more than just access to high-quality financial products. Empowering our customers by providing access to education, resources, and tools they need to supplement their financial security is the other part of the equation. Achieving financial health and wellness requires the knowledge to make responsible and well-informed financial decisions. Meaningful education and access to information not only strengthens our customers' financial situations, but also enables long-term financial wisdom.

One way we deliver financial education for our existing and potential customers is through our participant webinar series, delivered monthly and freely accessible to anyone who wants to attend. Our participant webinar series allows for us to cater to and provide education for participants who need it most. In 2021 we expanded some of the events to reach audiences who may be needing more help, like our Spanish-speaking and female participants, as well as our Gen Z, Gen X, and Gen Y participants who have either saved 90% of the IRS max allowed under a retirement plan or deferred 15% or more of their salary to their employer-sponsored retirement account.

We transcated four webinars last year to help ensure the content was culturally relevant to our Spanish-speaking audiences on topics like debt and emergency savings, reassessing finances after a market downturn, investing basics, and estate planning. In 2021, the webinars topics included:

- Expanding and protecting savings
- Debt and emergency savings
- Health care costs in retirement
- Reassessing finances after a market downturn
- Investing essentials
- Ways women can save and build wealth
- Will prep

- Nearing retirement checklist
- Financing and planning for higher education
- Estate planning
- COVID-19 impacts on tax prep
- Social Security

On average, more than 3,700 individuals attended our live monthly webinars in 2021, and more than 45,000 people received financial education from these webinars during the year.

Our [online library of past webinars](#) remains available on our website to enable 24/7 access to replays.

Fair marketing and advertising

Principal remains compliant with applicable legal requirements to ensure fair and open communication with customers through advertising and marketing materials. Principal neither engages in nor tolerates false, misleading, and exaggerated advertisements, and each piece of advertising is reviewed and approved by the appropriate compliance area. 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.

Putting customers first

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

Customer satisfaction

Our primary mission is to help people by advocating for financial security and inclusion and delivering high-quality products to our customers. Collecting information about customer satisfaction provides us with critical insights regarding the customer experience, including how our customers are engaging with our products and their overall satisfaction with our services.

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, are 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.

Digitally driven, customer-centric, solution-oriented

We're in the market of creating accessible products for diverse customers.



Helping more customers reach their goals

Principal[®] Business Needs Assessment Tool

In 2021, we continued offering the Principal[®] Business Needs Assessment Tool, an innovative digital tool designed to help employers assess their current financial plan and adjust accordingly, based on both short- and long-term goals. The tool provides employers relevant suggestions of how to protect their business, employees, and lifestyle by uncovering planning needs with a self-paced survey that will deliver a personalized report with an analysis of how they're doing and feedback to help them reach their business goals. The tool also includes:

- Next steps to help secure their financial well-being, and
- Information on topics relevant to helping protect their business—from things like buy-sell planning and funding, to plans for recruiting, retaining, rewarding, and retiring key employees.

Reducing language barriers

- In fall 2021, we launched Spanish-language capabilities in the Principal[®] app, providing equitable access to retirement plan information for a growing U.S. population.
- Principal[®] Hola Futuro provides culturally relevant, Spanish-language financial wellness resources to help consumers set and meet financial goals and understand the importance of retirement saving.
- Principal[®] Real Start en Español then provides in-language enrollment for consumers eligible for an employer-sponsored plan through Principal.

- Self-serve digital experiences add to the personal element available through bilingual and bicultural retirement specialists providing a multifaceted experience for Spanish-speaking Principal plan participants.

Expanding digital access and products to small businesses

Digital is fundamental to business continuity and relevancy. Evolving to a digitally driven organization requires us to put the customer at the center of everything we do, leverage the enterprise to drive efficiencies, partner across our markets to streamline solutions, and even more thoughtfully to build well-rounded solutions that help customers save enough, have enough, and protect enough.

- In January 2021, we teamed with other key service leaders to provide Principal[®] EASE, a uniquely designed pooled employer plan (PEP), which combines integrated retirement plan administration, customer service, and investment fiduciary capabilities.
- Simply Retirement by Principal[®] is our digital 401(k) product, making retirement plans more accessible to businesses with fewer than 100 employees. Only 56% 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 through our low, flat-fee recordkeeping pricing. It's a straightforward cost that small businesses can plan for each month.



Impact around the world

Southeast Asia

In Malaysia, we are more committed than ever to helping more people manage financial challenges in these times of uncertainty.

We're focused on providing more inclusive investment solutions so that financial security is accessible to all. In March 2021, we launched Principal e-Cash Fund, a Shariah-compliant money market fund, on Malaysia's leading eWallet, Touch 'N Go. Customers from all walks of life can start their investing journey with Principal with as little as RM10 (US \$2) to enjoy daily returns through the eWallet.

To date, more than 2 million Malaysians invest in Principal e-Cash Fund, and the number continues to grow steadily.

Latin America

In 2021, we initiated an alliance with Women in Finance (Mujeres en Finanzas or MEF) in Chile and Mexico to support initiatives across the organization targeted at financial inclusion for women within the financial industry.

Mexico

Specifically in Mexico, we stepped into a leadership role by providing customized and relevant financial education and resources to underrepresented groups across the country. Through our financial education

programs, we supported women entrepreneurs with limited access to resources, created financial education materials for children through a digital platform, delivered financial education for individuals with visual impairments and disabilities, and developed financial education materials with several associations to support children. We had 30 employees dedicate 500 hours to support more than 2,000 beneficiaries with financial education tools and resources.

Chile

In Chile, our employees led an initiative called Leaving a Mark (Dejando Huella), through which they volunteered their time and expertise to support high school students as they prepare for college and their professional careers. During 2021, we were able to help 545 individuals through our Leaving a Mark program, including high school students and guardians at two high schools of Fundación Comeduc, both located in Santiago. We were also able to expand our coverage of our corporate volunteer program with the increased usage of digital tools. During the year, we had 60 employees dedicate 564 hours to help implement 10 activities focused on delivering tools and skills to improve the employability of young adults. This included workshops on how to use Microsoft Excel and improving communication skills. Principal also donated 200 computers to the Comeduc Educational Foundation (Fundación Comeduc), which will be reconditioned and made available to their

students and families to meet the growing need for computers generated by the COVID-19 pandemic, teleworking, and remote classes.

Additionally, this program works to improve the quality of life for older adults. In 2021, we were able to work with elderly residents in long-stay homes (ELEAM) of Fundación Las Rosas and within the sheltered homes of Fundación Revivir.



Product responsibility and ethical product pricing

Principal aligns to all state regulatory guidelines and oversight that require insurers to consider product suitability and customer ethical practices. We work closely with our enterprise risk management partners and various business unit risk committees to ensure we maintain an appropriate level of oversight regarding our retirement product offerings and services as described in our Product and Pricing Risk Management Policy.

Our 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 the benefits the employees are eligible for, along with eligibility requirements and limitations or exclusions that apply to the insurance coverage.

Retirement products are highly regulated by various federal and state laws and multiple regulatory agencies. Principal structures its policies, products, and operations consistent with those standards, including through product design, disclosures, and fee structures. We continually analyze the market to provide the

most appropriate retirement product offerings at a competitive market price. We also adhere to our product and pricing risk management policy that provides the framework and guidance for managing product and pricing risk at Principal Financial Group. Principal has numerous policies and guidelines—both at a corporate level and the business unit level—that provides guidance on the management of many of our product and pricing practices, including actuarial practice guidelines and business unit policies and underwriting guidelines.

Principal Government Relations actively works to influence congressional and legislative activity to help ensure that financial products and retirement savings are available as needed.



PRODUCTS & SERVICES

Advocating for financial inclusion

Financial wellness is a healthy balance between living for today while planning for tomorrow. We believe that to reach more people every day, our financial products must be designed with the customer at the center.



08



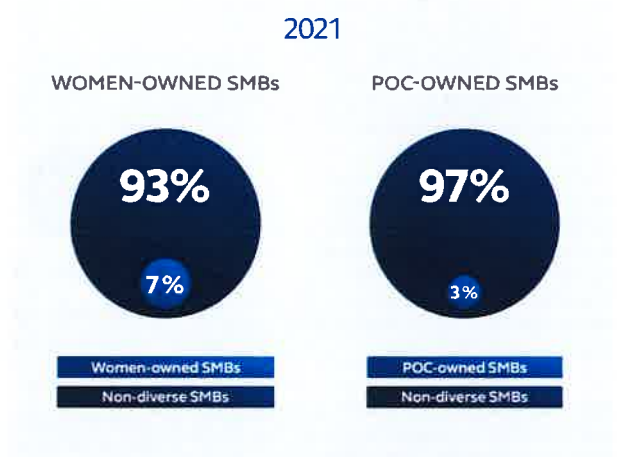
Access to financial products

No matter where they live or where they are in life, Principal and the Principal² Foundation help people take steps toward feeling more financially secure.

We seek to expand the accessibility, relevance, and quality of financial products for more people. This includes commissioning quantitative research to increase our understanding of how best to support and serve economically disadvantaged populations and underrepresented businesses.

In 2021, Principal made its first direct investment of \$60M in VHG Capital (Vista Equity Partners), who will seed investments in minority-owned firms. In addition, we publicly announced our commitment to double the number of diverse, small and midsize businesses (SMBs) we support by the end of 2025. This strategy was developed in collaboration with the Principal¹ Foundation and explicitly focuses on businesses owned by women and people of color (POC). The social outcomes we hope to achieve will be driven by product access, microfinance, economic development, and financial education for these businesses and entrepreneurs.

Out of our total number of small and midsize business customers in the U.S. in 2021, 7% were women-owned businesses, and 3% were owned by people of color—both individually representing a 12% increase in the number of diverse businesses we supported from 2020. We're proud to see an increase in diverse businesses, which have historically been underrepresented and continue to lack access to financial products and services. In 2022, we will finalize our strategy and identify the necessary tools, resources, and partnerships to achieve our goal of doubling the number of diverse SMBs we support over the next five years.



Principal community relations supports the communities where affiliates of the Principal Financial Group¹, Des Moines, IA 50392 operates. Insurance products and plan administrative services provided through Principal Life Insurance Company², a member of the Principal Financial Group, Des Moines, IA 50392.

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

Principal[®] Foundation

Working to provide financial security for all.

The Principal Financial Group Foundation, Inc., (the "Principal[®] Foundation") is a duly recognized 501(c)(3) entity focused on providing philanthropic support to programs that build financial security in the communities where Principal Financial Group, Inc. ("Principal") operates. While the Principal Foundation receives funding from Principal, the Principal Foundation is an independent organization. The Principal Foundation doesn't practice any form of investment advisory services and isn't authorized to do so.

The Principal Foundation directs returns on the investment of its endowment to fund grants to community organizations that help people become financially empowered. The Principal Foundation U.S.-based grantees reported a positive trend in helping people become more financially stable, enabling financial security for more people.

2021 Impact results



Job & work readiness

91,648 ▲+6%

Number of individuals to receive job and skill development training

65,202 ▲+7%

Number of individuals to receive job readiness training



Employment and income

10,157 ▲+15%

Number of individuals placed in employment

9,298 ▲+17%

Number of individuals with increased income



Savings and credit

78,248 ▲+19%

Number of individuals with new access to banking and financial services opportunities

3,159 ▲+28%

Number of individuals with an increase in savings

940 ▲+2%

Number of individuals with improved credit score

Financial flows are the flows reported by all 2021 Domestic Financial Security Grant recipients who were able to track that data for 2021. ¹Deltas are the percent of change reported by only 2021 Domestic Financial Security Grant recipients who had the ability to track that data point for both 2020 and 2021.

Community investments

The Principal Foundation contributed more than \$16M in community investments in 2021, including donations of laptops and other electronic equipment to various charitable partners. The Principal Foundation also oversees our employee volunteer program, where employees collectively spent more than 45,000 hours volunteering for local organizations.

Out of the Principal Foundation's total spend, 22% was spent on supporting diverse small and mid-sized businesses and community development programs. Approximately 16% of available funding went toward supporting micro-finance initiatives, and another 12% was invested in efforts supporting food and nutrition security and inclusive food systems. Finally, the remaining 50% of the Principal Foundation budget focused on expanding access to social and cultural institutions, disaster relief, and educational and STEM opportunities.

Principal Community Learning Center

In 2021, we opened the Principal Community Learning Center at our global headquarters. Our employees are upskilling middle and high school students in technology, professional development, and financial literacy.

Additionally, we provide funding to the Financial Health Network to perform quantitative, statistically relevant research aligned with the Principal Foundation mission of promoting financial security. Together with the CITI Foundation, we fund the release of pulse data throughout the year on Americans' financial health and an annual financial health report. In 2022, we will release a comprehensive report on the financial health of women in the U.S.



Community investments (continued)



World Central Kitchen

Principal Foundation is donating a \$1M grant to help fund a program run by World Central Kitchen (WCK) to leverage technology, local restaurants, and local community organizations to support both nutrition security and small businesses.

After witnessing the hours-long lines at food banks in cities across the country during the pandemic, WCK thought that there must be a better, more humane way to distribute meals. And so they created WCK Direct—an innovative, human-centered, scalable solution that both supports nutrition security and strengthens local economies.

WCK Direct leverages local, community-based organizations, local small businesses, and technology to increase nutrition security. They work with community-based organizations to identify households experiencing food insecurity. WCK then taps local independent restaurants, prioritizing those that are people of color-owned or women-owned, to receive a monthly fee in exchange for preparing fresh, hot, nourishing meals for enrolled families. Using a simple web-based app, families place orders which they can pick up in person or have delivered to them at no fee through DoorDash. WCK Direct is human-centered, local, scalable, and impact-driven.



Disaster relief

A quick response to disaster allows people to recover from shocks more quickly and maintain a higher degree of financial security. In 2021, we were particularly active in Asia where the combination of natural disasters and COVID increased needs significantly in the communities where our employees live and work.

- We constructed an oxygen generation plant at Rural Hospital (RH), Kale Colony, Taluka Maval in Pune District to respond to oxygen shortage issues during India's 2021 COVID spike.
- We provided personal protective equipment (PPE) to families impacted by heavy flooding in January 2021 in Eastern Malaysia to help keep them healthy during the ongoing pandemic while they rebuilt their homes and communities.

- We provided PPE and age-appropriate play items for families and children impacted by the Sulawesi earthquake in Indonesia and also provided a grant to rebuild homes and shelters destroyed in the region.
- We financed a relief fund specifically for iJAG students and their families impacted by the tornadoes that devastated Kentucky in 2021.
- We pulled together teams of Principal employee volunteers from 12 countries ranging from the U.S. to India, Australia, and Mexico to map communities in rural Guatemala with the Humanitarian OpenStreetMap Team. Over 36 hours, Principal employees mapped over 57,700 structures, which will improve the logistics planning for relief agencies to respond to disasters in the area.

Community investments (continued)



Kiva

In 2021, Principal Foundation collaborated with Kiva to engage in their International Women's Day match campaign and their Gender Equality Access to Capital campaign. Our contributions supported 31,554 women-owned micro/small businesses in 35 countries. These efforts support our commitment to women- and minority-owned businesses.



Building pipelines for future-ready work with EVERFI

In 2021, Principal Foundation expanded its longstanding relationship with EVERFI, a leader in digital learning, to double down on our commitment to financial security. In 2022, we will launch a first-of-its-kind digital learning program focused on exposing middle and high school students to data science as an area of study and a career option. Through DataSetGo, students in 12 cities across the U.S. will learn about foundational data science and analysis concepts. They'll also be exposed to real-world applications of this knowledge through the curriculum and a bespoke Principal Experiential Lab. The goal is that students will increase their interest in data science, a future-ready career choice that is both in high demand and offers high compensation.

About our 2021 report

We began publishing a Corporate Social Responsibility (CSR) Report more than 19 years ago. For the past eight years, we've produced our CSR annually for release on our [website](#), and for each year moving forward we will continue to publish an annual Sustainability Report sharing our goals achieved and progress toward our comprehensive sustainability initiatives.

This Sustainability Report primarily focuses on the ESG issues that are most material to our business and that most affect our stakeholders. We conducted a materiality assessment in 2020 and reevaluated our material topics in 2021, through which we determined our 21 most material issues. Please refer to our [Materiality Matrix](#) for more details.

Please note this report includes data and activities from our global operations for calendar year 2021. Unless otherwise noted, all data is accurate as of December 31, 2021.

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



Contact us

Corporate Sustainability

ESG Task Force

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“We remain steadfast in ensuring we make a positive impact—advocating for security and inclusion today, to create opportunities for future generations tomorrow.”

— **Dan Houston**

Chairman, President, & CEO
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