

August 2021

Sustainable Financing Framework

Building a more
prosperous planet

For decades, Principal® has embraced Environmental, Social, and Governance (ESG) as a core strategy to strengthen our business, advance our purpose, and build a more inclusive, resilient and sustainable global community. This is part of our commitment to corporate citizenship, as well as an effort to listen, understand, and respond to the changing needs of our stakeholders.

While we're proud of our progress across the board, we aren't satisfied. We never stand still because we believe in finding new, improved paths to move forward. We're motivated by the realities of new demographic forces shaping our industry: People live longer and spend more years in retirement while facing the savings shortfalls of traditional pay-as-you-go pension systems. We draw inspiration from the accelerating pace of technological change that is opening doors to new opportunities, and giving our customers greater financial access and confidence.

Essentially, we build and invest with a purpose—improving on what we do best and providing shareholder value.

We have developed our sustainability strategy considering our broad group of stakeholders, customer segments and businesses. Our approach is grounded in global frameworks, aligned to our core values and driven by clear goals and performance KPIs.

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

Key initiatives and public commitments

Our ESG strategy is organized by three core pillars:

- 1 Access the Power of our People.** Driven by belief that advancing financial inclusion begins at home, we're committed to nurturing an inclusive culture and diverse workforce based on the highest ethical standards, fair and competitive compensation, and a dedication to fairness, respect, integrity, and trust.
- 2 Embed Sustainable Practices.** We approach every challenge and opportunity with the goal of improving the well-being of people, communities, and the planet. We hold ourselves accountable for reducing our carbon footprint and mitigating long-term threats to our business and the environment.
- 3 Advance Inclusive Products and Services.** With emerging technology and an increased focus on U.N. Sustainable Development Goals, we're providing more access to financial services and responsible investment, offering more people around the world the opportunity to build financial confidence and make progress toward their financial goals.

Investing responsibly

Our investment management fiduciary responsibility is to act in the long-term best interests of our clients. This client-first focus is central to how we integrate ESG factors across our investment portfolios. So, too, is the voice given to us by Principal Global Investors' signatory status to the United Nations-sponsored Principles for Responsible Investment (PRI). The Principal Financial Group® has aligned our sustainability strategy with the United Nations Sustainable Development Goals (SDGs). We are leaning into areas in which we believe we can make the greatest impact to contribute meaningfully to this critical global effort.

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

Our investment teams have integrated ESG factors across all asset classes. Our multi-boutique approach allows each investment team to determine how to integrate ESG factors into their investment processes, based on the needs of their clients. This provides a broad spectrum of integration options.

With a strong focus on being good stewards of our resources and those of our clients and an ongoing focus on ESG research and education, our investment teams gather valuable insights crucial to the evaluation of sustainable competitive advantages. In addition, we use recognized third-party ESG data and proxy-research providers. This research, taken together with our analysts' fundamental company analysis and the additional perspective of our portfolio managers, provides for informed decision making in navigating engagement issues and effecting positive change.

We take responsible investing practices very seriously. That's because we know sustainable investments are important to our clients and critical to achieving long-term economic, social, and environmental goals.



Principal Sustainable Financing Framework Overview



The Principal Sustainable Financing Framework will help guide future issuances of Green, Social, and Sustainability bonds, term loans, preferred stock, subordinated notes, and funding agreements (each a “Principal® Sustainable Financing”) to be made available by subsidiaries of Principal Financial Group®, including Principal Life Insurance Company.

This Framework addresses the four core components of the International Capital Markets Association (ICMA) Green Bond Principles 2021, Social Bond Principles 2021, Sustainability Bond Guidelines 2021, Green Loan Principles 2021, and Social Loan Principles 2021 and their recommendations on the use of external reviews and impact reporting:

1. Use of proceeds
2. Project selection and evaluation process
3. Management of proceeds
4. Reporting

1. Use of proceeds

An amount equal to the net proceeds of each Principal® Sustainable Financing will be used to finance or re-finance, in part or in full, new and/or existing green and/or social assets (Eligible Assets) that meet the Eligibility Criteria defined below. Eligible Assets may include existing or future investments in or financings of Green or Social Eligible Assets, which are assets, businesses, or projects within the Principal General Account and/or expenditures related to products and services.

Green Financings are securities where the proceeds are allocated to Green Eligible Assets. Social Financings are securities where the proceeds are allocated to Social Eligible Assets. Sustainability Financings are securities where the proceeds are allocated to both Green and Social Eligible Assets.

In terms of timing, Eligible Assets include existing green/social assets funded up to 36 months prior to the Principal® Sustainable Financing issuance date and new green/social assets acquired post issuance. It is our intention to fully allocate the net proceeds of a Principal® Sustainable Financing within 18 months of its issuance.

A business will be considered eligible for financing using Principal® Sustainable Financing proceeds only if it derives 90% or more of its revenues from activities in the list of Eligible Categories. Each of the Eligible Categories is aligned to UN Sustainable Development Goals (SDGs).

Table 1: Eligible green assets

Eligible category per ICMA Green Bond Principles

Green assets eligibility criteria

Green buildings



Investments in and financings of new or existing commercial or residential buildings that have:

- Achieved or expect to achieve, based on third-party assessment, GHG intensity in the top 15% of their city, or
- Received, or expect to receive based on its design, construction and operational plans, certification according to third party verified green building standards, such as:
 - LEED Gold or Platinum standard
 - BREEAM Excellent or above
 - other equivalent certification schemes, such as BOMA Best Gold, Energy Star

Investments in and financings for the refurbishment or upgrade of existing commercial or residential buildings that are expected to result in a minimum of 25% energy savings.

Renewable energy



Investments and financings dedicated to generation, transmission, and distribution of energy from renewable sources, including:

- Wind
- Solar
- Geothermal with direct emissions <math>< 100\text{gCO}_2/\text{kWh}</math>
- Hydropower with power density > 5W/m²
- Tidal power
- Waste biomass <math>< 100\text{gCO}_2/\text{kWh}</math>

Energy efficiency



Investments and financings in technologies, products, or systems that improve energy efficiency, including:

- Projects that reduce losses in the delivery of bulk energy services or enhance integration of intermittent renewables such as energy storage, smart grids, battery technology, demand response
- Projects that enable monitoring and optimization of the amount and timing of energy consumption such as smart meters, load control systems, sensors or building information systems

Sustainable water and wastewater management



Investments and financings that improve water quality, water efficiency, or climate change resilience, including:

- Improvements in commercial or residential building water and wastewater management, storm water management, irrigation systems
- Projects that reduce water consumption or improve the efficiency of resources and result in a substantial reduction in water leakage, as well as, emissions efficiency improvements
- Improvements to municipal sewer and wastewater systems

Clean transportation



Investments and financings in low-carbon transport assets including:

- Zero direct emission vehicles and associated infrastructure (including electric charging stations, cycle racks/ storage)
- Infrastructure, rolling stock and vehicles for electrified public transport and freight, except where the primary purpose is fossil fuel transport

Pollution prevention and control



Investments and financings that reduce and manage emissions and waste generated, including:

- Technologies and projects for collection, sorting, treatment, recycling or re-use of construction waste
- Technologies and projects to salvage, use, reuse, and recycle postconsumer waste products
- Waste treatment and environmental remediation projects, including land treatment and brownfield clean-up, soil washing, chemical oxidation, bioremediation. Activities will not be directed to fossil fuel or other extractives industries

Environmentally sustainable management of living natural resources and land use



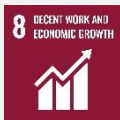
Investments and financings that enhance ecosystem protection or restoration, including:

- Agriculture and fisheries assets with recognized third-party sustainability certifications such as USDA Organic, EU Organic, Marine Stewardship Council (MSC) or Rainforest Alliance
- Forestry assets with recognized third-party sustainability certifications such as Forest Stewardship Council (FSC) or Programme for the Endorsement of Forest Certification (PEFC), and the Sustainable Forestry Initiative (SFI) which is affiliated with PEFC
- Climate smart farm inputs such as biological crop protection or drip-irrigation
- Preservation or restoration of natural landscapes

Table 2: Eligible social assets

Eligible category per ICMA Social Bond Principles

Financial inclusion: Inclusive Products and Services



Social assets eligibility criteria

Expenditures by Principal, where those expenditures support enhanced access to products and services which support the financial well-being of target populations. Target populations include small to medium enterprises (SMEs)¹, their employees, and underserved populations². Potential expenditures include those related to the development and implementation of programs, tools, and technologies that:

- Provide access to financial literacy education that increases the understanding of financial products and planning tools

¹ As defined by OECD criteria

² Underserved Populations include women, minorities and U.S. households whose income is below 80% of the area median income (AMI)

- Increase access to financial planning tools and products for women and minority owned small to-medium enterprises (SMEs).
- Create open access to financial education by launching community learning centers near primary office facilities that target women and minority owned businesses.

Access to essential services: Health and Education



Investments and financings that enhance access to public, free, or subsidized essential services for underserved populations³, including:

- Healthcare
 - Non-profit or public sector emergency healthcare facilities that provide free-of-cost or subsidized service to target populations
 - Voluntary health organizations as defined by the North American Industry Classification System (NAICS)
- Education
 - Infrastructure for the provision of child, youth or adult education and vocational training services

Affordable housing



Investments and financings meeting national/regional affordable housing definitions in the applicable jurisdiction, including:

- Investments that expand or maintain the availability of housing for U.S. households whose income is below 80% of the area median income (AMI)
- Investments in non-profit social housing providers that provide rental homes at below-market rents to low-income earners, including teachers, nurses, council workers, the elderly and infirm

Socioeconomic advancement and empowerment



Investments and financings to support SMEs⁴, properties or projects that are at least 51% owned, managed, or controlled by women, minorities, vulnerable or marginalized populations

2. Project selection and evaluation process

Principal has established a Sustainable Financing Council, comprising members from the Office of the Chief Investment Officer, Capital Markets, and Corporate Sustainability teams, which will be responsible for the ultimate review and selection of assets that will qualify as Eligible Assets, to which an amount equal to the net proceeds of each Principal® Sustainable Financing will be allocated. The eligibility of all assets proposed as Eligible Assets will be subject to a review consistent with Principal ESG policies.

Principal Investment, Enterprise ESG, and Corporate Treasury teams will identify existing or future green or social assets which meet our sustainable investment or inclusive consumer and product approach and propose such

³ Underserved Populations include women, minorities and U.S. households whose income is below 80% of the area median income (AMI)

⁴ SMEs as defined by OECD criteria

assets to the Sustainable Financing Council for review and confirmation as Eligible Assets in accordance with the Eligibility Criteria defined in the Principal Sustainable Financing Framework.

To evaluate the eligibility of social assets, the Sustainable Financing Council will consider the assets' potential positive social outcomes for target populations (such as low-income or marginalized communities and vulnerable groups) as well as the general public.

Exclusion criteria

Assets involving the following activities will not be Eligible Assets for any Principal[®] Sustainable Financing:

- alcohol
- tobacco
- nuclear energy
- adult entertainment
- energy generation from fossil fuels
- weapons and arms trade
- gambling

3. Management of proceeds

Principal will establish a Sustainable Finance Register in relation to Principal[®] Sustainable Financing for the purpose of recording the Eligible Assets and the allocation of an amount equal to the net proceeds from Principal[®] Sustainable Financing to Eligible Assets.

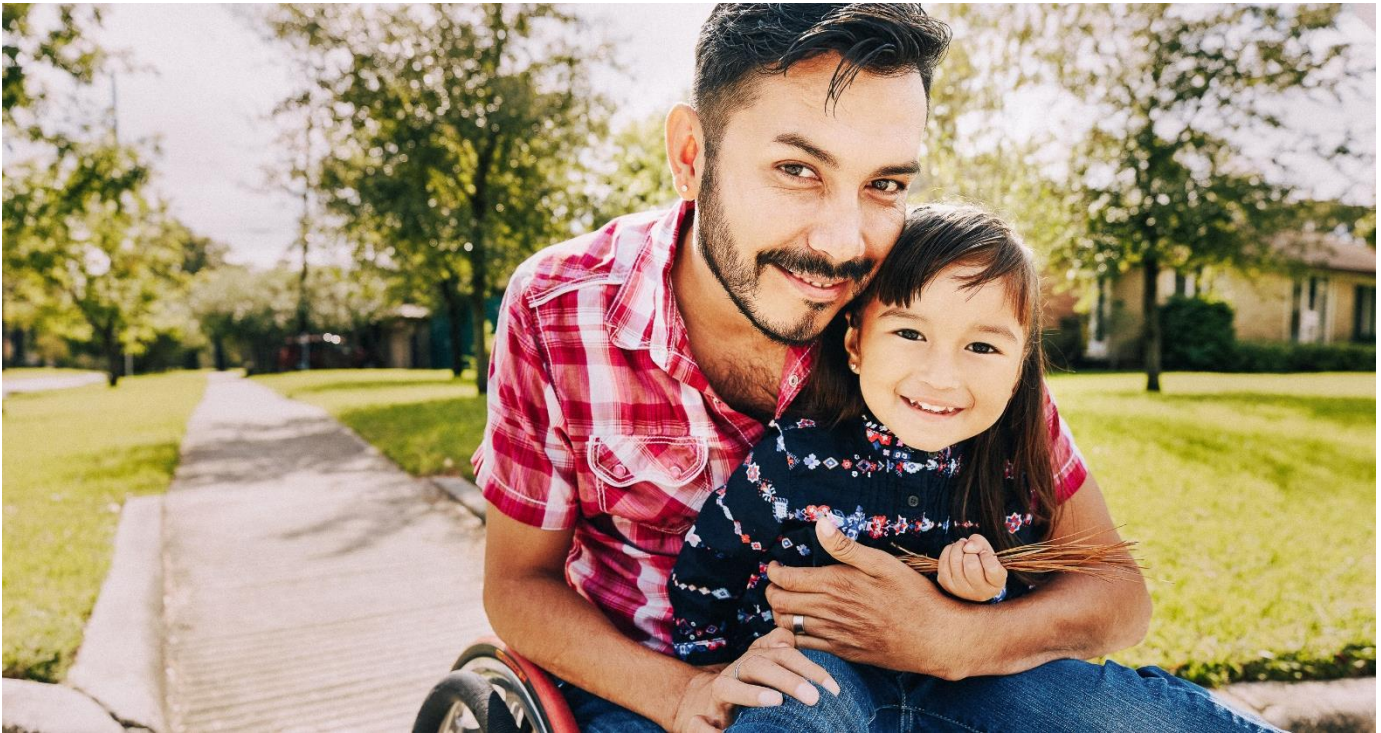
The Sustainable Finance Register will contain relevant information to identify each Green, Social or Sustainability Financing and the Eligible Assets relating to it and will form the basis of Principal Sustainable Finance Report. The Principal Investments and Sustainability Teams will maintain and update the Sustainable Finance Register, which will be reviewed quarterly by the Sustainable Financing Council.

An amount equal to the net proceeds of each Principal[®] Sustainable Financing will be earmarked for allocation within the Principal General Account and/or in expenditure-related funds. This amount will be recorded in the Sustainable Finance Register in accordance with this Sustainable Financing Framework.

Principal aims to have fully allocated an amount equal to the net proceeds of each Principal[®] Sustainable Financing within 18 months of issuance.

Principal intends to maintain an aggregate amount of Eligible Assets that is at least equal to the aggregate net proceeds of all Principal[®] Sustainable Financing that are concurrently outstanding.

However, there may be periods when a sufficient aggregate amount of Eligible Assets have not yet been allocated to fully cover an amount equal to the net proceeds of all outstanding Principal Sustainable Financings, either as the result of changes in the composition of Principal green or social assets or the issue of additional Principal[®] Sustainable Financings. Any such portion of the net proceeds of Principal[®] Sustainable Financing that have not been allocated to Eligible Assets in the Sustainable Finance Register will be managed in accordance with Principal normal liquidity activities. Payment of principal and interest on any Principal[®] Sustainable Financing will not be directly linked to the performance of any Eligible Asset.



4. Reporting

Allocation reporting

Approximately one year after the issuance of each Principal[®] Sustainable Financing, Principal will publish a report, the Principal Sustainable Financing Report, on the sustainability section of the Principal website. The Report will include a summary of outstanding Principal[®] Sustainable Financing issuances, including issuance date, size, maturity date, currency, and format.

The Principal Sustainable Financing Report will contain at least the following:

1. Management's assertion that the use of proceeds of the Principal[®] Sustainable Financing complies with the Principal Sustainable Financing Framework
2. The amount of proceeds allocated to each Eligible Category
3. Where feasible, and subject to confidentiality considerations, for each Eligible Category, one or more example of Eligible Assets financed, in whole or in part, by the proceeds obtained from the Principal Sustainable Financing, including their general details (brief description, location, stage i.e. construction or operation)
4. The balance of unallocated net proceeds
5. Impact reporting elements as described below
6. Share of financing and refinancing

The report will be updated every year until complete allocation, and thereafter, as necessary in the event of material developments.

Impact reporting

Where feasible, the Principal Sustainable Finance Report will include qualitative and (if reasonably practicable) quantitative environmental and social performance indicators. Performance indicators may change from year to year. The Report may include some of the following data for Eligible Assets financed by the Principal[®] Sustainable Financing:

Eligible category per ICMA Green or Social Bond Principles

Potential impact reporting data

Green buildings	<ul style="list-style-type: none">• Area of certified green buildings in square feet and by certification level• Annual GHG emissions reduced/avoided in tonnes of CO₂ equivalent
Renewable energy	<ul style="list-style-type: none">• Megawatts generated• Annual GHG emissions reduced/avoided in tonnes of CO₂ equivalent
Energy efficiency	<ul style="list-style-type: none">• Annual energy savings in MWh/GWh• Types and number of energy reduction projects• Annual GHG emissions reduced/avoided in tonnes of CO₂ equivalent
Sustainable water and wastewater management	<ul style="list-style-type: none">• Volume of water saved/treated/reused in m³
Clean transportation	<ul style="list-style-type: none">• Annual GHG emissions reduced/avoided in tonnes of CO₂ equivalent• Transportation infrastructure developed or improved
Pollution prevention and control	<ul style="list-style-type: none">• Tons of waste reduced• Number of people provided with improved waste treatment or disposal services• Amount of CO₂e reduced
Environmentally sustainable management of living natural resources and land use	<ul style="list-style-type: none">• Total surface financed (hectares), with reference to specific certification schemes where relevant• Environmentally sensitive areas protected (acres)
Financial inclusion	<ul style="list-style-type: none">• Number of individuals provided financial education• Number and types of financial education programs run• Number of community learning centers established and number of people served• Number and type of financial tools developed• Demographic indicators where applicable
Access to essential services	<ul style="list-style-type: none">• Number of people reached through new digital platforms• Amount increased in retirement savings as a result of program• Number of programs funded, location, and type
Affordable housing	<ul style="list-style-type: none">• Rental costs compared to the national/regional rent index• Number of affordable housing units built or refurbished• Demographic indicators where applicable

Socioeconomic advancement and empowerment

- Jobs created and/or retained
- Number of businesses supported

External review

Principal has obtained an independent Second Party Opinion on its Sustainable Financing Framework, which will be published on the sustainability section of the Principal website prior to the issuance of the first Principal[®] Sustainable Financing.

Principal will request a qualified independent external reviewer to verify and provide third-party assurance with respect to the management of the Principal[®] Sustainable Financing proceeds and the compatibility of the selected Eligible Assets with the Principal Sustainable Financing Framework.

At minimum, this review will be carried out after the full allocation of an amount equal to the net proceeds from the Principal[®] Sustainable Financing and will be published with the Final Allocation Report. Principal will post the external review report on the sustainability section of the Principal website.

In the unlikely event that the external review identifies allocations to projects that do not comply with the Principal Sustainable Financing Framework, Principal will allocate the corresponding amounts to different assets that comply with the Principal Sustainable Financing Framework.

Amendments to this Framework

The Sustainable Financing Council will review this Framework on a regular basis, including its alignment to updated versions of the ICMA Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines. Such review may result in this Framework being updated and amended. The updates will be subject to a review by a qualified independent external reviewer.

Any future updated version of this Framework that may exist will either maintain or improve the then current levels of transparency and reporting disclosure requirements, including the corresponding review by the external reviewer. The updated Framework, if any, will be published on the sustainability section of the Principal website and will replace this Framework.





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Contact

Principal Financial Group
711 High Street
Des Moines, IA 50392
Investor-relations@principal.com



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