

Principal Financial Group Inc.

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Introduction

In August 2021, Principal Financial Group Inc. (“Principal”) issued a sustainability bond (the “2021 sustainability bond”) aimed at financing or refinancing, in whole or in part, existing and future projects that support a wide range of environmental and social initiatives stipulated in the Principal Sustainable Financing Framework (the “Framework”).¹ Sustainalytics provided a Second-Party Opinion on the Framework in June 2021.² In July 2023, Principal engaged Sustainalytics to review the projects funded through the 2021 sustainability bond and provide an assessment as to whether the projects met the use of proceeds criteria and the reporting commitments outlined in the Framework.

Evaluation Criteria

Sustainalytics evaluated the projects funded with proceeds from the 2021 sustainability bond, based on whether the projects:

1. Met the use of proceeds and eligibility criteria outlined in the Framework; and
2. Reported on at least one of the Key Performance Indicators (KPIs) for each use of proceeds criteria outlined in the Framework.

Table 1 lists the Use of Proceeds, Eligibility Criteria and associated KPIs.

Table 1: Use of Proceeds, Eligibility Criteria and associated KPIs

Use of Proceeds	Eligibility Criteria	KPIs
Green Buildings	<p>Investments in and financings of new or existing commercial or residential buildings that have:</p> <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> – LEED Gold or Platinum standard – BREEAM Excellent or above – other equivalent certification schemes, such as BOMA Best Gold, Energy Star <p>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.</p>	<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

¹ The Principal Sustainable Financing Framework is available on Principal’s website at: www.principal.com/sustainability

² The Principal Sustainable Financing Framework Second-Party Opinion is available at: https://s21.q4cdn.com/251671177/files/doc_downloads/2021/2021_secondparty_opinion_sustainalytics.pdf

Renewable Energy	<p>Investments and financings dedicated to generation, transmission, and distribution of energy from renewable sources, including:</p> <ul style="list-style-type: none"> • Wind • Solar • Geothermal with direct emissions <100gCO₂/kWh • Hydropower with power density > 5W/m² • Tidal power • Waste biomass <100gCO₂/kWh 	<ul style="list-style-type: none"> • Megawatts generated • Annual GHG emissions reduced/avoided in tonnes of CO₂ equivalent
Energy Efficiency	<p>Investments and financings in technologies, products, or systems that improve energy efficiency, including:</p> <ul style="list-style-type: none"> • 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 	<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	<p>Investments and financings that improve water quality, water efficiency, or climate change resilience, including:</p> <ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Volume of water saved/treated/reused in m³
Clean Transportation	<p>Investments and financings in low-carbon transport assets including:</p> <ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Annual GHG emissions reduced/avoided in tonnes of CO₂ equivalent • Transportation infrastructure developed or improved

Pollution Prevention & Control	<p>Investments and financings that reduce and manage emissions and waste generated, including:</p> <ul style="list-style-type: none"> 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 	<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	<p>Investments and financings that enhance ecosystem protection or restoration, including:</p> <ul style="list-style-type: none"> 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 	<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	<p>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),³ their employees, and underserved populations⁴. Potential expenditures include those related to the development and implementation of programmes, tools, and technologies that:</p> <ul style="list-style-type: none"> Provide access to financial literacy education that increases the understanding of financial products and planning tools 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. 	<ul style="list-style-type: none"> Number of individuals provided financial education Number and types of financial education programmes run Number of community learning centers established and number of people served Number and type of financial tools developed Demographic indicators where applicable

³ As defined by OECD criteria.

⁴ Underserved Populations include women, minorities and U.S. households whose income is below 80% of the area median income (AMI).

Access to Essential Services	Investments and financings that enhance access to public, free, or subsidized essential services for underserved populations, ⁵ including: <ul style="list-style-type: none"> • Healthcare <ul style="list-style-type: none"> - 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 <ul style="list-style-type: none"> - Infrastructure for the provision of child, youth or adult education and vocational training services 	<ul style="list-style-type: none"> • Number of people reached through new digital platforms • Amount increased in retirement savings as a result of programme • Number of programmes funded, location, and type
Affordable Housing	Investments and financings meeting national/regional affordable housing definitions in the applicable jurisdiction, including: <ul style="list-style-type: none"> • 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 	<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
Socio-Economic Advancement and empowerment	Investments and financings to support SMEs, ⁶ properties or projects that are at least 51% owned, managed, or controlled by women, minorities, vulnerable or marginalized populations	<ul style="list-style-type: none"> • Jobs created and/or retained • Number of businesses supported

Issuer's Responsibility

Principal is responsible for providing accurate information and documentation relating to the details of the funded projects, including description of projects, amounts allocated and project impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of the use of proceeds from Principal's 2021 sustainability bond. The work undertaken as part of this engagement included collection of documentation from Principal and review of said documentation to assess conformance with the Framework.

Sustainalytics relied on the information and the facts presented by Principal. Sustainalytics is not responsible nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by Principal.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight of the review.

⁵ Underserved Populations include women, minorities and U.S. households whose income is below 80% of the area median income (AMI).

⁶ SMEs as defined by OECD criteria.

Conclusion

Based on the limited assurance procedures conducted,⁷ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed projects do not conform with the use of proceeds criteria and reporting commitments in the Framework. Principal has disclosed to Sustainalytics that the proceeds from the 2021 sustainability bond were fully allocated as of November 2021.

Detailed Findings

Table 2: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded by the sustainability bond issued in 2021 to determine if the projects aligned with the use of proceeds criteria outlined in the Framework and above in Table 1.	All projects reviewed complied with the use of proceeds criteria.	None
Reporting Criteria	Verification of the projects funded by the sustainability bond issued in 2021 to determine if impact of the projects was reported in line with the KPIs outlined in the Framework and above in Table 1. For a list of KPIs reported, please refer to Appendix 1.	All projects reviewed reported on at least one KPI per use of proceeds category.	None

⁷ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the funded projects, including description of projects, their estimated and realized costs and impact, as provided by the issuing entity, which is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Appendix

Appendix 1: Allocation and Impact Reporting by Category

Use of Proceeds Category	Environmental Impact Reported by Eligibility Criteria ⁸	Net Bond Proceeds Allocation (USD) ⁹	Allocation Percentage
Green Buildings	<p>A total of 5 certified green buildings:</p> <ul style="list-style-type: none"> 3 LEED Platinum with floor area totaling of 1,581,077 square feet 2 LEED Gold with floor area totaling of 618,346 square feet 	448,155,867.62	74.69%
Renewable Energy	3 solar and 1 wind energy projects generating a combined total of 359.4 GWh of renewable energy	55,950,960.09	9.33%
Affordable Housing	<p>Funding new construction and substantial renovation of the targeting households in the US earning <80% of area median income:</p> <ul style="list-style-type: none"> 74 properties targeting households in the US earning <60% of area median income 169 units of shelters for homeless families served by the NYC Department of Homeless Services 100 units of shelters for target populations who cannot afford housing or may not be mentally fit to live in an affordable housing complex 	95,893,172.29	15.98%
Total allocated (USD)			600,000,000.00
Total fund raised (USD)			600,000,000.00
Total allocated for refinancing¹⁰ (USD)			464,357,838.71
Total allocated for new financing (USD)			135,642,161.29
Share of refinancing			77.39%

⁸ Impact data for each category is from FY 2022, unless otherwise noted in the Principal Sustainable Financing report (published on the Principal website).

⁹ Principal has communicated to Sustainalytics that the reported figures refer to the book value of the assets instead of the market value reported in the previous fiscal year. Principal has further communicated its intention to use the book value in future reporting.

¹⁰ Allocated funds are limited to projects originally financed within a two-year period prior to the bond issuance.

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