

PILLARS OF RESPONSIBLE PROPERTY INVESTING (PRPI)

Sustainability Policy

Purpose

This policy formalizes Principal Real Estate's commitment to sustainable investing and provides a foundation for implementation. Through this policy and the associated actions detailed in the Sustainability Guidelines, we will integrate sustainability strategies into our investment management practices in a manner consistent with and supportive of our fiduciary responsibilities.

Applicability

This Sustainability Policy and the supporting Sustainability Guidelines apply to fully discretionary, open-end U.S. and European private equity and private debt real estate investment vehicles and select separate accounts. These standards are supplementary to Principal Asset Management's Sustainable Investing Policy and Principal Financial Group's environmental, social, and governance-related policies. Non-discretionary or closed-end funds, accounts, or investment vehicles, and select properties may be exempt on a case-by-case basis. Implementation and specific tactical details may vary by fund mandate, property sector, anticipated hold period, or other investment considerations.

Commitment to Sustainability

Principal Real Estate has a long-standing commitment to corporate stewardship and an established track record in responsible property investing, starting with the first iteration of our sustainable investing framework in 2008. Since then, the framework has been expanded and enhanced to encompass environmental, social, governance and resilience factors, becoming the [Pillars of Responsible Property Investing](#) (PRPI) sustainable investing platform. This platform guides our investment management practices and is utilized by our internal teams, third-party joint venture partners and property management companies.

Through our commitment to responsible property investing and strong governance practices, we seek to invest in real estate that delivers positive financial and sustainability outcomes for all stakeholders while promoting health and wellbeing for our tenants and residents, minimizing our environmental impacts, and enhancing the communities where we operate. Consistent with this commitment and our role as investment managers, we will enact and implement the sustainability practices categorized and described below.

Environmental Stewardship

In recognition of the critical role of the environment on our lives, communities, and economic systems, and observing the adverse effects of climate change and scarce resources across our society, we seek to minimize our environmental impact, mitigate climate risks, and build a portfolio of high-performing, efficient buildings. We do so for properties whose operations we control through the following actions:

- Set portfolio-wide targets to minimize energy use, greenhouse gas (GHG) emissions, water use, and waste production.
- Monitor the sustainability performance of our investments by tracking data on key performance indicators.

- Develop property-specific plans for achieving environmental targets such as property decarbonization plans, sustainability assessments, and energy, water, and waste technical assessments.
- Assess and mitigate physical and transition risks associated with climate change and natural disasters.
- Transition to renewable energy, generated on-site and/or off-site.
- Pursue building certifications to externally validate sustainability performance and signify sustainability commitment to tenants, residents, and stakeholders.
- Evaluate and implement smart building technologies in alignment with property-specific investment strategies.
- Implement environmentally conscious cleaning standards, sustainable procurement, integrated pest management, and other operational best practices.
- Utilize green lease language to encourage tenant engagement in property sustainability goals and facilitate sharing of utility data for improved performance management and benchmarking.
- Incorporate an integrative design process in new development, re-development, and capital improvement projects to enhance operational and environmental performance.

For properties whose operations we do not control, such as properties serving as collateral for debt investments, we:

- Track and monitor sustainable attributes of properties associated with our borrowers and loans.
- Provide tools and resources that encourage sustainable operations, efficient operations, and utility cost savings.

Social Responsibility

We seek to enhance occupant wellbeing by providing healthy, safe, and equitable spaces; as well as connecting with and contributing to the economic and social success of the markets where we operate. We do this through the following actions:

- Promote and advance inclusion, representation, accessibility, and equality in our workplace, our business practices, and in the communities where we operate.
- Promote fair labor practices, quality craftsmanship, and supplier diversity.
- Foster an inclusive work environment to attract talent, increase employee engagement, and develop the next generation of leaders.

Additionally, for properties whose operations we control, we:

- Utilize standard building management practices to ensure safe working conditions and consistent treatment of tenants and vendors.
- Develop tenant, resident, and community education and engagement plans.
- Conduct regular tenant and resident satisfaction surveys to monitor and improve occupant experience.
- Invest in the communities where we operate by providing high-quality, high-performance buildings that address local social and economic priorities.
- Create living and working environments that optimize health and wellbeing, including pursuing health and wellness certifications, providing amenities, and supporting community resources.

Governance Oversight

As investment managers and community members, transparency and rigorous oversight provide a foundation for our shared success. The following governance and management activities are designed and implemented to ensure accountability, mitigate risks, and provide clear indicators of progress:

- Disclose sustainability performance through our Sustainability Report, regular reporting to GRESB, UN PRI, and CDP, and reporting in alignment with regulatory requirements.

- Support Principal Financial Group's alignment with industry frameworks such as United Nations Sustainable Development Goals (UN SDGs), Global Reporting Initiative (GRI), Task Force on Climate-related Financial Disclosure (TCFD) and Sustainability Accounting Standards Board (SASB).
- Participate in industry organizations, research opportunities to engage with policy makers on sustainability issues and stay on the forefront of best practices in sustainable investing.
- Educate and collaborate with third-party joint venture partners, property managers, technicians, vendors, service providers, and lenders on our sustainability expectations and monitor compliance.
- Engage our real estate sustainable investing working groups to formulate strategy, monitor progress and ensure results, and provide accountability and oversight on the implementation of our sustainable investing platform.
- Maintain a system of checks and balances to prevent conflicts of interest and preserve the integrity of our investment management process.
- Underwrite, evaluate, and monitor third-party property managers, service providers, and joint venture partners.
- Implement comprehensive data management and quality control procedures to ensure data integrity.
- Align our Sustainability Management System (SMS) with the ISO 14001 standard and its continuous improvement process.
- Provide employees with regular training on our sustainable investing platform, diversity, equity and inclusion, and ethical business practices.
- Ensure employee compliance with the Global Code of Conduct, including employee restrictions on investments and political contributions, charitable gifting, cybersecurity, and data protection and privacy.

Supporting Guidelines

This Sustainability Policy formalizes our commitment to responsible property investing by embedding sustainability throughout the real estate investment, lending, management, and operations processes. The following Sustainability Guidelines directly support the implementation of the Sustainability Policy, and further detail actions required of Principal Real Estate staff and third-party property managers, service providers, and joint venture partners:

- [Sustainability Guidelines for Acquisition Due Diligence](#)
- [Sustainability Guidelines for Biodiversity](#)
- [Sustainability Guidelines for Building Technology and Innovation](#)
- [Sustainability Guidelines for Climate Resilience](#)
- [Sustainability Guidelines for Data Centers](#)
- [Sustainability Guidelines for Data Management](#)
- [Sustainability Guidelines for Emissions Reduction](#)
- [Sustainability Guidelines for Health and Wellness](#)
- [Sustainability Guidelines for Operations and Management](#)
- [Sustainability Guidelines for Private Debt Origination](#)
- [Sustainability Guidelines for Real Estate Development](#)
- [Sustainability Guidelines for Responsible Contracting](#)

Additional Resources

- [Principal Real Estate Responsible Property Investing website](#)
- [Principal Asset Management Responsible Investing website](#)
- [Principal Financial Group Sustainability website](#)
- [Principal Financial Group ESG Data Center](#)

The Principal Real Estate Sustainability Policy and supporting guidelines are reviewed and approved annually by the Managing Director of ESG and Operations, the Sustainable Investing Working Groups, and the CEO of Principal Real Estate.

PILLARS OF RESPONSIBLE PROPERTY INVESTING (PRPI)

Sustainability Guidelines for Acquisition Due Diligence

These guidelines are supportive of and an extension to the Principal Real Estate Sustainability Policy, and intended to provide more granular, tactical, and situationally-specific direction for Principal Real Estate staff, our third-party property managers, service providers, and joint venture partners.

Intent

Principal Real Estate is committed to aligning acquisitions with our PRPI Sustainable Investing Platform and overall sustainability objectives. These guidelines provide detail on how sustainability factors are incorporated into the due diligence process to ensure thorough understanding of opportunities and risks, convey expected performance criteria, collect necessary data, and establish performance baselines.

Actions for Implementation

We evaluate sustainability from the earliest stages of our acquisition pre-investment process, including review of geographic location, environmental concerns, regulatory conditions, and social matters. We consider sustainability factors that are unique to each site and local market resilience, from both an economic and regulatory perspective. To better assess and respond to geographically specific sustainability considerations, we rely on local market expertise provided by our property management and development partners, as well as our regional asset management and engineering teams.

The standard due diligence checklist used in the U.S. includes an analysis and review of a broad spectrum of sustainability features and risks by the acquisitions team, which are considered and evaluated as part of the overall investment risk by the investment committee. In Europe, sustainability issues are identified in a third-party sustainability analysis report instead of a formal due diligence checklist.

Sustainability features and risks analyzed includes but is not limited to the following:

1. **Assess** the physical condition of the building and site risk. Safety and performance are assessed by the Property Condition Assessment, Title, As-Built ALTA Survey, soil, seismic, and mechanical reports, and analysis of the flood zone. Elevation certificates are ordered for any properties located in flood zones A, AE, AH, AO, A99, V, or VE in the U.S. Those topics will be assessed in Europe as applicable according to the relevant regulations for each asset type.
2. **Conduct** environmental assessment. Use the Phase 1 environmental assessment to identify any toxic materials or proximity to health and environmental concerns including air, water, land, light, and noise pollution sources and sensitive ecologies. If concerns are identified, additional environmental assessments such as a Phase II, indoor air quality, water quality, and/or radon test are completed.
3. **Prioritize** human health and safety. Assess occupant health and safety through the Property Condition Assessment (PCA) and indoor environmental quality assessments such as radon testing, water quality testing, and indoor air quality assessments in applicable properties. Those topics will be assessed in Europe as applicable according to the relevant regulations for each asset type.
4. **Analyze** utility efficiency. Review 24 months of historical energy, water, and waste data for the whole building (if available) to assess usage and efficiency and to determine areas for improvement.

5. **Request** that seller provides the property's ENERGY STAR® Portfolio Manager® account (applicable to all U.S. properties and European properties where relevant), ENERGY STAR score (applicable to U.S. properties only) or EU Energy Performance Certificates (applicable to European properties only).
6. **Assess** local building performance ordinances. Identify any regulations that require a property to benchmark utility usage and/or disclose building performance results using the Institute for Market Transformation's Building Performance Policy Center in the U.S. and the European Environment Agency in Europe. Where utility data is publicly posted, review the asset's current emissions, energy, or water usage levels relative to any regulatory limits to assess the risk of financial penalty.
7. **Review** for green lease language. Work with local counsel and leasing brokers to identify green lease language in existing leases and notify Principal Real Estate's Operations team (applicable to U.S. properties only) if there is an opportunity to incorporate Principal's standard green lease language in any leases that are new or being negotiated during the due diligence period.
8. **Review** the property's history of natural hazards. Identify the type and frequency of past natural hazards so future risks can be identified and appropriately managed through property insurance, operational modifications or capital expenditures.
9. **Analyze** climate risk. Complete a climate risk assessment to identify and prioritize the site's high-risk physical hazards (floods, heat stress, hurricanes & typhoons, sea level rise, water stress, wildfires, and earthquakes) and transition risks (regulatory requirements). Consider identified high-risk physical hazards and potential emissions reduction features in the PCA review and underwriting.
10. **Inventory** building certifications. Review the existence and viability of environmental and healthy building certifications that validate the asset's sustainability performance, such as LEED, , NGBS, Green Globes, BREEAM, IREM CSP, DGNB, Fitwel, and WELL.
11. **Ensure** accessibility. Confirm compliance with accessibility standards. For assets in the U.S., follow FHA and ADA regulations, including checking for sufficient accessibility compliant units at multifamily properties. In Europe, follow the European Disability Strategy or applicable national accessibility standards.
12. **Assess** affordability. Understand affordable housing requirements for multifamily assets. Ensure property is in compliance with income and rent restrictions and has all required documentation.
13. **Engage** tenants and residents. Send tenant satisfaction surveys to commercial tenants to develop an understanding of the tenants' needs within the space and how to better serve them. Measure multifamily resident satisfaction via online reviews.
14. **Review** commuting scores. Look up walk, bike, and transit scores to identify location quality and area amenities for applicable properties. Use this to help inform the applicability of additional amenities at the property.
15. **Perform** thorough due diligence on key parties. Collaborate with legal counsel to complete Uniform Commercial Code (UCC) federal liens and municipal searches, reference the Principal Board of Directors Watch List, and complete credit, background, and OFAC checks. Key parties may include the seller, new joint venture partners, brokers, tenants, and guarantors. Those topics will be assessed in Europe as applicable according to the relevant regulations.

This due diligence checklist is subject to change and may be adapted for client-specific requirements, property type, local regulations, or other factors as needed.

Sustainability risks identified during underwriting and due diligence are included in investment committee documentation if warranted. Information on sustainable features and risks gathered during the investment process will form the baseline of key performance indicators, which are tracked and monitored over the life of the investment.

The Principal Real Estate Sustainability Policy and supporting guidelines are reviewed and approved annually by the Managing Director of ESG and Operations, the Sustainable Investing Working Groups, and the CEO of Principal Real Estate. These Guidelines hold the same applicability to assets as the PRPI Sustainability Policy, unless otherwise stated or notified by Principal Real Estate.

PILLARS OF RESPONSIBLE PROPERTY INVESTING (PRPI)

Sustainability Guidelines for Biodiversity

These guidelines are supportive of and an extension to the Principal Real Estate Sustainability Policy, and intended to provide more granular, tactical, and situationally-specific direction for Principal Real Estate staff, our third-party property managers, service providers, and joint venture partners.

Intent

Principal Real Estate acknowledges that biodiversity loss presents material risks to real estate assets by disrupting ecosystem services that support operational performance, asset resilience, human wellbeing, and long-term value. This includes habitat degradation, species loss, invasive species proliferation, water stress, and declining pollinator populations, which can contribute to soil erosion, reduced natural disaster protection, diminished air and water quality, and compromised green infrastructure effectiveness.

As part of our fiduciary duties, we seek to identify, mitigate, and disclose nature-related dependencies, impacts, and risks in line with the TNFD framework. At the asset level, we assess property-specific biodiversity risks, and at the fund level, we assess portfolio exposure to nature-related risks and opportunities. These guidelines define the types of biodiversity and ecosystem risks assessed, tools utilized, and nature-positive strategies for Principal Real Estate staff and our partners to implement.

Actions for Implementation

We aim to support biodiversity stewardship by aligning our approach with evolving regulatory landscapes, industry standards, stakeholder expectations and global commitments. This includes monitoring emerging biodiversity reporting requirements, assessing land-use impacts, and integrating conservation and restoration strategies throughout the investment lifecycle.

Biodiversity impacts are assessed as applicable as part of our third-party due diligence process for office, multifamily, retail, and industrial acquisitions and new developments, and niche investment types are included where applicable. Any biodiversity risks flagged by third-party consultants during development or acquisition, such as endangered or critical species habitat loss, water pollution, or soil degradation, are addressed by a biodiversity management plan.

When applicable, individuals from acquisitions, asset management, engineering (U.S. only), portfolio management, property management, and the sustainability team are involved in biodiversity risk assessment and mitigation. Our Private Equity Sustainable Investing Working Group and Investment Committee in the U.S. and Boards of Entities in Europe provide oversight on nature-related risks and opportunities, integrating biodiversity considerations into corporate governance, investment decision-making, and sustainability strategy. Progress is periodically reviewed to ensure alignment with our broader sustainability objectives.

In addition to assessing biodiversity risks, the below list represents examples of nature-positive strategies that are to be considered for implementation at our properties. We encourage our property teams to collaborate with local experts to provide advice specific for each property, considering the following.

New Property Development:

1. **Incorporate site selection and planning strategies** that positively impact biodiversity, habitat, and land conservation, including, as applicable:
 - a. Restoring brownfield sites
 - b. Prioritizing existing developed areas
 - c. Avoiding sites identified as flood zones or wetlands by FEMA (U.S.) or local organizations
 - d. Avoiding development land near Natura 2000 sites (Europe)
 - e. Protecting and restoring farmland
2. **Identify local municipality programs** to collaborate on progress towards the EU Urban Nature Plan goals (Europe) or local biodiversity goals.
3. **Measure baseline biodiversity index** at site. Increase Net Biodiversity by 10% from the baseline to comply with the UK Biodiversity Net Gain Regulation.
4. **Restore habitats, soils, and site conditions** disturbed during construction.
5. **Protect air quality and water quality** (including groundwater, surface water, and drinking water) by managing potential construction pollutants.
6. **Design site to increase water retention and permeability, and create habitat potential** through the use of wetlands, retention ponds, or bioswales.
7. **Reduce the building's heat load and the urban heat island effect** by using efficient materials including cool or green roofing systems to support pollinators, birds, and urban biodiversity while improving building efficiency.
8. **Consider Green Building Certifications that prioritize biodiversity**, such as SITES and LEED.
9. **Collaborate** with city and county representatives, neighboring properties, communities, and groups to develop ecosystem-scale conservation initiatives that improve habitat connectivity and biodiversity resilience.

Existing Property Operations & Maintenance:

1. **Identify physical climate risks impacting biodiversity.** Review a property's climate risk analysis for stressors such as water stress, heat stress, flood risk, and sea level rise that may impact the biodiversity on-site.
2. **Investigate alternative irrigation water sources**, such as rainwater or HVAC condensate harvesting to reduce municipal potable water dependency and protect natural aquatic ecosystems and aquifers. Update mechanicals with water efficient versions when existing infrastructure reaches its end of life.
3. **Develop a biodiversity-focused landscaping plan.** Plant native species and/or naturalized species to increase local biodiversity and increase drought-resistance. Leverage lawn alternatives by selecting native plants, rocks, gravel, mulch, and additional ground covers.
4. **Use Integrated Pest Management** to reduce environmental impacts from pesticide use.
5. **Ensure irrigation systems are properly calibrated** for flow control, radius adjustment, sprinkler height, and level adjustment, and are regularly cleaned, as necessary. Consider rain sensors to reduce duplicative watering.
6. **Develop a tenant and community engagement plan** that encourages participation and education in environmental and biodiversity-related events such as Earth Day, World Water Day,

and Zero Emissions Day and host outreach events related to sustainability such as tree planting days and habitat restoration days.

7. **Install features that protect wildlife and provide additional habitats:**
 - a. Apiary / urban beekeeping (rooftop and native solitary species)
 - b. Window clings for birds and bats
 - c. Bird and bat boxes
 - d. Bird or squirrel feeders
 - e. New landscape feature or habitat patch
 - f. New tree plantings
8. **Maintain green spaces, pollinator and/or biodiversity-friendly gardens.**
9. **Consider Green Building Certifications that prioritize biodiversity,** such as SITES and LEED.

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PILLARS OF RESPONSIBLE PROPERTY INVESTING (PRPI)

Sustainability Guidelines for Building Technology and Innovation

These guidelines are supportive of and an extension to the Principal Real Estate Sustainability Policy, and intended to provide more granular, tactical, and situationally-specific direction for Principal Real Estate staff, our third-party property managers, service providers, and joint venture partners.

Intent

At Principal Real Estate we continually assess and evaluate technologies that impact commercial real estate. Rapid changes in building materials and systems, construction techniques, data and analytical tools, service models, operational practices, market dynamics, regulatory thresholds, and other industry innovations can challenge historical methods of underwriting and managing buildings. New technologies and innovations may enhance a building's investment profile, offer new ways to reduce costs, improve operating efficiencies, enhance tenant and resident experiences, and create new revenue streams or business opportunities for real estate investors.

Actions for Implementation

Principal Real Estate is committed to assessing and understanding the merits of any new technology and selectively incorporating them in a manner specific to our new developments, acquisitions, and existing properties, their markets, and the overall investment strategy. We recognize that new technologies are not a one-size-fits-all approach, and as such recommend the following approach when undergoing construction, renovation, upgrades, or tenant improvement projects:

Ensure applicable new technologies and specialized smart building features are appropriately incorporated into each of our assets through the following activities:

1. **Research** new technologies, amenities, and cost savings strategies with the help of our in-house engineering team and external specialists.
2. **Collaborate** with development and joint venture partners, local market experts, industry peers, and third-party consultants to identify best practices and industry trends that add value to our properties.
3. **Evaluate** smart building technologies and approaches through rigorous product demonstrations, vendor due diligence, and property-level pilot programs to verify they address our "Key building technology and innovations questions" (outlined below) and meet the needs of our individual assets.
4. **Deploy** vetted, best-in-class, smart building features when they align with, and support, the investment strategy of the property.

Screen new innovations, technologies, and practices to ensure they are properly analyzed and implemented through analysis, research, and due diligence:

1. Does the innovation enhance or complement the overall investment strategy? Is it appropriate for the market and property type?
2. Will the benefits of the innovation materialize within the hold-period of the asset, or be recognized in a price premium at disposition?

3. Has the innovation been tested in similar operating conditions and across a large enough sample size to prove its viability?
4. Have references been checked on appropriate product manufacturers, service providers, customers, and/or operators of the innovation?
5. Is the property adequately protected from risk through warranties, insurance, waivers, or contractual language associated with the innovation?
6. What are the risks of failure, and are adequate response plans in place should a failure occur?
7. Does the innovation or technology represent a cyber-security risk? If so, how is this risk addressed and mitigated?
8. If the innovation is not adopted or included in the property, what are the implications for the investment pro-forma? Does it place the asset at a competitive disadvantage, now or in the future?
9. Does the innovation have any potential incentives or rebates from the utility, city, state or federal level that can lower the cost of implementation?

The below list represents examples of real estate technology and innovations that are to be considered for implementation at investment properties. We encourage asking local vendors, utilities, and industry experts to review this list and provide advice specific to each property.

Building materials/envelope/glazing

- Electro-chromatic glass
- 3-D printed construction techniques
- Nano-thermal reflective membrane

Security

- Access control
- Occupancy and people counting systems
- Blockchain transactional support

Building systems/controls

- Elevator destination dispatch
- Chilled water systems
- HVAC controls and monitoring systems
- LED lighting
- Luminaire level lighting controls

Design/Operations/Maintenance

- Building information modeling (BIM)
- Learning systems, artificial intelligence
- Occupancy, space use pattern analysis

Life, Safety, Health

- Fire detection and suppression
- Fire extinguisher monitoring
- Air quality sensors, monitors
- Health and Wellness certifications

Tenant/Resident Amenities

- Conference room and hotel space scheduling
- Shutter and blind controls
- Weather data/monitoring systems

Energy/Utility Management

- Battery storage
- UPS monitoring
- Emergency power systems
- Smart meters/sub-meters
- Renewable energy installations, contracts
- Demand-side management programs
- Waste monitoring systems
- Plug load management devices
- Energy management systems (EMS)
- Smart irrigation controls
- Leak detection
- Regenerative drive elevators
- Power over Ethernet
- Digital energy twin/modeling

Communications

- Individual HVAC controls
- Electric vehicle charging stations
- Driverless vehicle infrastructure/services
- Drone delivery services
- Digital signage
- Distributed antenna (DAS)/cellular systems
- Virtual concierge
- Occupant information systems
- Virtual reality infrastructure, services

This list is representative, not exhaustive. Additional technologies and innovations may also merit consideration and should be evaluated and incorporated per the process outlined in these guidelines.

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PILLARS OF RESPONSIBLE PROPERTY INVESTING (PRPI)

Sustainability Guidelines for Climate Resilience

These guidelines are supportive of and an extension to the Principal Real Estate Sustainability Policy, and intended to provide more granular, tactical, and situationally-specific direction for Principal Real Estate staff, our third-party property managers, service providers, and joint venture partners.

Intent

Principal Real Estate acknowledges that climate change poses risks to human health and safety as well as the financial and physical performance of buildings. As part of our fiduciary duties, we seek to identify, mitigate, and disclose both physical and transition risks associated with climate change. At the asset level we create property-specific resilience plans, and at the fund level we review portfolio exposure and concentration of climate-related risks. These guidelines define the types of climate risk assessed, tools utilized, and risk mitigation strategies for Principal staff and our partners to execute.

Actions for Implementation

Climate-related risks can be categorized as physical or transitional risk. Physical risk is the potential damage or loss to the actual structure and systems of a building caused by climate-related events. As part of climate risk, Principal Real Estate analyzes physical risks associated with floods, heat stress, hurricanes and typhoons, sea level rise, water stress, wildfires, and earthquakes.

Transition risk encompasses the risks stemming from the need to decarbonize in order to minimize global warming and the associated regulatory and market changes that may impact an asset. For real estate assets, this may include considering future building energy costs and the associated capital expenditures needed to decarbonize buildings, or compliance with regulations requiring benchmarking energy and emissions data, energy audits or building retro-commissioning, or emissions restrictions associated with building performance standards.

Our climate resilience analysis is completed on office, multifamily, retail, and industrial acquisitions and new developments for all clients, and on niche investment types as applicable. Portfolio-level analysis on owned assets is completed periodically for open-end, discretionary funds and other funds as requested by fund management. The process includes support from third-party climate risk analysis tools and database research. Individuals from acquisitions, development, asset management, engineering, portfolio management, property management, and the sustainability team each have specific responsibilities when it comes to climate risk analysis and risk mitigation.

Existing Property Acquisition:

1. **Identify high risk hazards.** During due diligence, the acquisitions team requests the Climate Risk Analysis report from the Principal Real Estate sustainability team. The sustainability team requests the report from the third-party climate risk analysis tool, then provides the summary report and analysis of high-risk hazards to the acquisitions team and engineer.

2. **Review and document identified hazards** (U.S. only). The Property Condition Assessment (PCA) consultant reviews any identified high risk climate hazards in conjunction with their onsite inspection and includes any identified operational changes and capital needs associated with risk mitigation in their report. These recommendations are incorporated in the property underwriting and investment committee approval documents as needed.
3. **Develop a risk mitigation plan.** Once the property acquisition has been approved by investment committee and closed, the property manager utilizes the climate risk prescription resource document to validate and prioritize the climate hazard and identify applicable operational and capital improvement mitigation strategies. The property manager is expected to create a risk mitigation plan and work with the asset manager to receive any necessary approvals or business plan amendments.
4. **Check for compliance.** For transparency, the property manager completes a climate risk mitigation survey to provide the Principal sustainability team with detail on climate risk mitigation actions planned and implemented.

New Property Development:

1. **Identify high risk hazards.** During due diligence, the development team requests the Climate Risk Analysis report from the Principal Real Estate sustainability team. The sustainability team requests the report from the third-party climate risk analysis tool, then provides the summary report and analysis of high-risk hazards to the development team and engineer.
2. **Review, document, and account for identified hazards.** The engineer reviews the property design to determine if it properly accounts for the identified high-risk hazards. Design adjustments, site planning, and/or operational procedures for risk mitigation are incorporated into design standards as applicable.

Transition Risk:

1. **Identify regulations for compliance.** The sustainability team reviews several databases as part of the due diligence process to identify if a property is subject to regulations requiring benchmarking energy and emissions data, energy audits or building retro-commissioning, or emissions restrictions associated with building performance standards. Property managers must ensure the property complies with these regulations in a timely manner.

Portfolio Level Risk:

1. Portfolio level physical climate risk analysis is completed on owned assets and covers the same set of physical hazards (floods, heat stress, hurricanes and typhoons, sea level rise, water stress, wildfires, and earthquakes). Physical climate risk analysis is completed periodically at the fund level. Our funds use this information to identify high risk assets and areas of concentrated risk. These properties will be provided climate prescriptions to create or enhance their mitigation plan and will be prioritized for further resiliency analysis and capital improvements as needed.
2. Portfolio level transition risk analysis is completed using the CRREM model to identify the fund's alignment with the 1.5°C global warming model. This analysis is updated annually using asset emissions data from the previous calendar year. Our funds use this information to identify assets to prioritize for emissions reduction projects.

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PILLARS OF RESPONSIBLE PROPERTY INVESTING (PRPI)

Sustainability Guidelines for Data Centers

These guidelines are supportive of and an extension to the Principal Real Estate Sustainability Policy, and intended to provide more granular, tactical, and situationally-specific direction for Principal Real Estate staff, our third-party property managers, service providers, and joint venture partners.

Intent

Principal Real Estate recognizes the growing importance of real estate, infrastructure, and technologies that support the digital economy. Specifically, data centers and colocation facilities play an increasing role as the foundation for business, social, and economic networks. Data centers and real estate associated with information technologies have many unique development, operations, maintenance, security, and energy requirements. Emerging sustainability strategies may not always apply or be feasible given these circumstances.

The guidelines detailed below are intended to supplement the Principal Real Estate Sustainability Policy while recognizing that our sustainability practices may not be applicable in all circumstances. They outline practices to successfully navigate this unique real estate asset class from a sustainability perspective -- bringing enhanced value and reduced risks -- and depend on strong collaboration and aligned objectives between facility owners and managers (landlords) and data center customers (tenants).

Actions for Implementation

Consistent with the evolution of sustainability strategies and best practices, our fiduciary responsibilities, and our goal to enhance value for all stakeholders, we will seek to collaborate with appropriate parties as part of our data center investments on the following:

1. **Meter and share** energy consumption and environmental performance data as mutually agreed through the lease activities, enabling both parties to monitor consumption and costs, and disclose performance metrics as part of sustainability reporting frameworks.
2. **Collaborate** with tenants and building occupants to identify opportunities to reduce energy consumption and costs while maintaining operational standards and building comfort.
3. **Participate** in industry working groups and organizations promoting high-performance and environmentally responsible data center operations, such as the Northern Virginia Technology Council (NVTC), the Data Center Coalition, or the European Data Center Association (EDCA), as appropriate.
4. **Assess** property exposure to physical and transitional climate risks and implement appropriate mitigation plans.
5. **Pursue** recognized sustainable building certifications where consistent with the investment strategy.

6. **Support** tenant sustainability initiatives and participation in voluntary frameworks, such as the Future of Internet Power Initiative, CDP, the Renewable Energy Buyers Alliance, the United Nations Sustainable Development Goals, or other programs.
7. **Negotiate** and secure clean and renewable energy contracts where available and when in alignment with tenant energy cost and procurement objectives.
8. **Provide** technical expertise and support for issues affecting building operations, maintenance, equipment, backup power, alternative power sources, on-site renewables, emerging technologies, or other areas as requested by tenants.
9. **Educate and inform** tenants, customers, and local community leaders of emerging sustainability practices and standards that are material to the success of the property.

As partnership opportunities, new technologies, and industry practices emerge and evolve, Principal Real Estate will continue to collaborate with our data center stakeholders to promote and implement sustainability initiatives, and revise and update these best practices accordingly.

PILLARS OF RESPONSIBLE PROPERTY INVESTING (PRPI)

Sustainability Guidelines for Data Management

These guidelines are supportive of and an extension to the Principal Real Estate Sustainability Policy, and intended to provide more granular, tactical, and situationally-specific direction for Principal Real Estate staff, our third-party property managers, service providers, and joint venture partners.

Intent

Accurate and timely data on energy, water, waste, and other key metrics provides the foundation for the PRPI platform. Through the collection, monitoring, benchmarking, and analysis of this information, we can better vet and evaluate opportunities to enhance the performance of properties, meet established targets, and fulfill sustainability and investment objectives.

Actions for Implementation

As instructed in the PRPI Sustainability Handbook for Property Managers (the “Handbook”), property teams are required to input and maintain consumption and cost data on energy, water, and waste utilities in ENERGY STAR® Portfolio Manager® on a monthly basis at a minimum*; and property, occupancy, and space use characteristics are to be reviewed and updated quarterly or at time of any significant change.

In addition to the requirements detailed in the Handbook and other responsibilities of property management firms, we have adopted the following practices and policies concerning the collection and management of utility data in support of the PRPI platform:

1. It is the responsibility of property managers to acquire, track, maintain, and report utility cost and consumption data throughout its engagement with Principal Real Estate.
2. Property management firms will maintain an ENERGY STAR® Portfolio Manager® account to collect utility data, and grant data sharing access rights to the Principal Real Estate Master Account, or other Portfolio Manager accounts belonging to designated representatives of Principal Real Estate. Access to property utility data in ENERGY STAR® Portfolio Manager® shall be maintained at all times during Principal Real Estate’s ownership interest in the property.
3. Property management firms will maintain data history covering the time period between established baselines in ENERGY STAR® Portfolio Manager® and the current date, at a minimum. Baselines are individually set for each property depending on data availability and property acquisition/development date. The first 12 months of available data on or after calendar year 2019 will be utilized as the baseline for each asset. Wherever possible, property teams are requested to maintain historical records.
4. Property management firms will ensure that historical utility data is retained according to Principal Real Estate’s record retention policy. Further, property management firms are encouraged to back up ENERGY STAR® Portfolio Manager® account data by downloading property data into Microsoft Excel and storing in a secure location on an annual basis.

5. At time of disposition of the property, or a change in property management contracts, the incumbent property management firm will make ENERGY STAR® Portfolio Manager® accounts and associated backup data available to new building ownership or management upon their request.
6. Property management teams may enlist the assistance of third-party firms, data providers, and other resources to manage utility data with the approval of asset management. However, maintaining data quality in accordance with the Handbook is the ultimate responsibility of the property team, who are held solely responsible for adhering to this policy.
7. It is the responsibility of property management firms to comply with any regulations requiring disclosure of energy or environmental performance or other actions related to energy efficiency, energy audits, or other environmental requirements. Managers will be provided with a bi-annually updated list of properties subject to regulations and should work with property management firms to ensure compliance.
8. Property management teams should implement one of the following processes to obtain whole building utility data:
 - i. Engage tenants on sustainability initiatives and attempt to obtain tenant energy, water, and waste data. Resources to support these efforts are found on the Property Manager Resource Tool (PMRT).
 - ii. Where available by local utilities, property teams are required to utilize automatic data exchange services that automatically input utility data into ENERGY STAR Portfolio Manager even if this incurs a nominal fee. When automatic data exchange services or bill pay providers are utilized, property managers are still responsible for: (a) ensuring data is up-to-date, complete, and includes both cost and consumption information and (b) updating space use characteristics and occupancy quarterly, at minimum.
 - iii. Where whole building data is not available, consider the installation of shadow or smart meters. Property management teams should coordinate with Principal Real Estate's asset management teams or senior operations managers as appropriate.
9. Property management teams and technical service providers are encouraged to leverage 15-minute interval metering data, sub-metering systems, advanced sensors, and other emerging technologies and analytical tools to further optimize property operations, reduce utility costs, improve maintenance practices, and enhance occupant experiences as appropriate. Property management teams are expected to utilize proven technologies and practices, investigate innovative technologies based on the Sustainability Guidelines for Building Technology and Innovation, and coordinate with Principal Real Estate staff on the deployment of new technology or data resources.
10. Property management teams must take appropriate steps to maintain the security and confidentiality of all utility data and associated building systems, limit data access to designated staff or technical support providers and maintain data recovery protocols in the event of loss or breach of data systems.

*Select properties may have less frequent access to utility data, so may qualify for an exception to the monthly data input requirement.

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PILLARS OF RESPONSIBLE PROPERTY INVESTING (PRPI)

Sustainability Guidelines for Emissions Reduction

These guidelines are supportive of and an extension to the Principal Real Estate Sustainability Policy, and intended to provide more granular, tactical, and situationally-specific direction for Principal Real Estate staff, our third-party property managers, service providers, and joint venture partners.

Intent

As an investment manager and fiduciary representing our clients' financial goals, Principal Real Estate recognizes that reducing greenhouse gas emissions is essential to future-proofing assets, and lessens our impact on the environment and the effects of climate change. These guidelines detail our definition and boundaries for net zero and provide strategies for emissions reduction.

Net Zero Target

We have committed to reducing greenhouse gas emissions (GHGs) by our open-end discretionary private equity funds 40% by 2035 (over a 2019 baseline), with the intent to achieve Net Zero emissions by 2050. Baselines are individually set for each property depending on data availability and property acquisition/development date. The first 12 months of available data on or after calendar year 2019 will be utilized as the baseline for each asset.

Net Zero Definition

We define Net Zero as reducing the annual emissions generated from a building's use of greenhouse gas emitting energy to zero based on the adoption of energy efficiency, on- and off-site renewable energy sources, and carbon removal offsets, if needed. This definition is in accordance with the Net Zero Asset Managers Initiative and aligns with the Paris Climate Accord and global efforts to limit warming to 1.5 °C.

Greenhouse Gas Boundary Definition: Organizational and Operational

For the purposes of the private equity real estate investments subject to the emissions reduction target, we define the *organizational boundary* of our assets' greenhouse gas emissions in alignment with the World Resources Institute's Greenhouse Gas Protocol Corporate Accounting and Reporting Standard using an Operational Control approach.

Our *operational boundary* categorizes emissions as direct (emissions from sources we own and control) or indirect (emissions that occur because of our activities but from sources owned or otherwise controlled by another company). This translates into the three scopes of emissions as:

- **Scope 1 Direct Emissions**
Fuel combustion that is owned and controlled by an asset in an investment vehicle managed by Principal Real Estate.
- **Scope 2 Indirect Emissions**
Emissions that occur due to the consumption of electricity and steam which is purchased by an asset in an investment vehicle managed by Principal Real Estate.

- **Scope 3 Other Indirect Emissions**

Emissions that occur due to electricity and steam purchased by the tenant(s) at assets owned by an investment vehicle managed by Principal Real Estate. Of the 15 distinct categories of scope 3 emissions, relevant categories for Principal Real Estate include Scope 3: Category 13 (downstream leased assets) and Scope 3: Category 15 (investments in assets where the Principal investment vehicle does not have operational control).

When sufficient data is unavailable to accurately calculate the emissions from any activity in our operational boundary, the emissions from an activity are estimated. If estimated emissions are considered immaterial (i.e., comprise less than 5% of total emissions), then this activity is omitted from the final emissions inventory.

Acknowledging that the following sources of greenhouse gas emissions may also contribute to our overall emissions profile, we are taking steps to assess and quantify the volume of these emissions, and determine whether they are material and attributable to our investment management activities:

- Refrigerants used onsite by our properties.
- Embodied carbon associated with material selection and construction processes as part of new development and major renovations.
- Emissions associated with onsite waste streams, including landfill waste, recycling, and compost.

Actions for Implementation

In collaboration with our development and joint venture partners, property managers, vendors, and suppliers, we will seek to reduce asset emissions by deploying an optimized mix of the following strategies, in relative order of priority:

1. REDUCE

Reduce emissions through:

- Energy efficiency initiatives
- Operational and capital improvement projects
- Tenant engagement
- Building electrification

2. RENEW

Utilize renewable energy:

- Renewable energy generated on-site
- Renewable energy generated off-site
- Renewable energy credits (RECs)

3. RESTORE

Offset the impact of GHG emissions through restorative measures:

- Carbon removal
- Carbon offsets

Principal Real Estate reserves the right to revise or amend our boundary definition, activities included in our calculation of GHG emissions, associated targets, and/or investment management practices covered by these guidelines.

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PILLARS OF RESPONSIBLE PROPERTY INVESTING (PRPI)

Sustainability Guidelines for Health and Wellness

These guidelines are supportive of and an extension to the Principal Real Estate Sustainability Policy, and intended to provide more granular, tactical, and situationally-specific direction for Principal Real Estate staff, our third-party property managers, service providers, and joint venture partners.

Intent

Principal Real Estate recognizes that healthy buildings have a positive impact on occupant wellbeing. We are committed to designing, constructing, and operating real estate assets that consider the physical, mental, and social health, safety, and welfare of building occupants, customers, and local surrounding communities. These guidelines outline practices for Principal Real Estate and our partners to implement: promoting physical activity, providing healthy food and drinking water, creating healthy environments, and fostering social wellbeing.

Actions for Implementation

Principal Real Estate endeavors to develop and manage properties that meet or exceed healthy building criteria, and to create working and living environments that contribute to overall wellness. These guidelines address new development and ongoing operations. Property management and joint venture partners in collaboration with third-party suppliers and vendors are expected to:

1. **Conduct** annual property inspections and develop remedy plans for any observed safety or tenant/resident comfort issues, including an emergency and business resiliency plan.
2. **Implement** a tenant/resident and community engagement plan that includes regular health programming for tenants, such as fitness classes, nutrition programs, mental & social health programs, and healthcare programs.
3. **Drive** positive year-over-year improvement in tenant/resident satisfaction survey responses related to building health and wellness questions.
4. **Incorporate** sustainable building operating procedures including recycling, green cleaning, integrated pest management, healthy food options (if applicable) and green landscaping.
5. **Promote** health and wellness amenities on-site, such as fitness centers and classes, swimming pools, access to walking, hiking, or biking trails, bike racks, dedicated outdoor community space(s), and access to healthy food.
6. **Certify** assets as LEED, BREEAM, WELL, Fitwel, or an equivalent green building certification wherever practicable, addressing the key health and wellness impact areas during the design and construction. Any new development not achieving certification will follow similar protocols and incorporate the best practices as outlined below, where applicable and feasible to the specific asset under development.
7. **Review** potential opportunities for community development to improve infrastructure related to health and wellness of the surrounding community.

Each property team should consider the following best practices for health and wellness in the building's design and operations, where applicable:

1. Physical activity:

- Provide sidewalks and enticing pedestrian-oriented streetscapes with amenities.
- Provide aesthetically pleasing and easily accessible stairways.
- Install signage to promote taking stairs.
- Incorporate fitness facilities and/or common area multi-purpose rooms that can be used for wellness activities and on-site exercise.
- Provide infrastructure that supports biking such as bike storage.
- Provide active commuter showers.
- Provide outdoor space amenities to encourage time outdoors.
- Support on-site gardening.
- Provide a common area lactation room.
- Provide ergonomic and active workstations such as standing desks.
- Provide space for hosting health-related activities that is accessible to the surrounding community.

2. Food and water:

- Enhance access to drinking water.
- Test water quality regularly for contaminants such as dissolved metals and certain additives.
- Install water purification if necessary.
- Install water bottle filling stations where feasible.
- Promote healthy food retail such as increasing selection of fruits and vegetables and minimizing processed foods.
- Provide healthy vending machine/food options where applicable.
- Provide hand washing/sanitizing stations.
- Provide sufficient cold food storage to occupants to encourage consuming fresh foods.

3. Environment:

- Incorporate biophilic and nature-inspired design.
- Incorporate daylight and access to views where practical without introducing glare.
- Provide adequate lighting in stairwells, emergency egress points, parking lots and entryways.
- Use only low emitting materials with available Health Product Declarations (HPDs).
- Avoid installing outdoor air intakes at street level or near other outdoor sources of pollutants.
- Facilitate proper air flow through design and managing building to meet or exceed ASHRAE 62.1 (applicable to U.S. properties only) ventilation standard or applicable local code, whichever is more stringent.
- Effectively control pollutants and particulates through increased filtration and regular maintenance of filters.
- Institute a green cleaning policy.
- Provide access to thermal controls where applicable.
- Use high efficiency filter vacuums, e.g., HEPA.

This guidance comes from the top three health needs of building occupants as identified by the Urban Land Institute's (ULI) [Building Healthy Places Toolkit](#) and best practices outlined in the WELL and Fitwel building rating systems.

European funds should discuss health and wellness activities with a tax advisor to ensure there is no conflict with The German Investment Tax Act, such activities would not affect investment status, and to confirm impact of any services offered to tenants that go substantially beyond the usual level for long-term tenancies.

PILLARS OF RESPONSIBLE PROPERTY INVESTING (PRPI)

Sustainability Guidelines for Operations and Management

These guidelines are supportive of and an extension to the Principal Real Estate Sustainability Policy, and intended to provide more granular, tactical, and situationally-specific direction for Principal Real Estate staff, our third-party property managers, service providers, and joint venture partners.

Intent

Principal Real Estate expects each property management team to deliver best-in-class property operations including implementing sustainability practices as these have a direct, fundamental impact on the environment, occupant experience, and property financial performance. Whether taking action to reduce energy costs, engaging tenants on water conservation, obtaining a building certification, or working with a broker to better communicate sustainability benefits, improving property performance takes place both on-site and in the marketplace. These guidelines outline broad activities required of property management teams to ensure the consistent application and success of sustainability practices through property operations and management. Additional resources for Operations and Management implementation are found on the Property Manager Resource Tool (PMRT), in the Sustainability Handbook for Property Managers, and through other resource guides, trainings, and toolkits.

Actions for Implementation

Each property manager, building engineer, and service or product provider has an important role in contributing to the overall success of the property and providing quality experiences for tenants, residents, and guests. Property management teams will do the following:

1. **Benchmark** the property's energy, water, waste, and emissions data in ENERGY STAR Portfolio Manager. For consistency across Principal Real Estate's portfolio of assets:
 - Utility data collection will be automated, where feasible, to streamline the process and ensure accuracy.
 - Office, multifamily, retail, and industrial buildings (and other property types as applicable) will collect and track whole building energy, water, and waste data on a monthly basis (select properties may have less frequent access to utility data, in these cases an exception may be granted). To collect whole building data (which includes common areas and tenant spaces), property managers should leverage green lease language and develop a tenant/resident engagement plan and utilize the tenant outreach letter to collect data from tenants whenever possible.
2. **Monitor** the property's sustainability performance by tracking sustainability initiatives implemented, reviewing the quarterly Property Sustainability Scorecard (if applicable) with the Principal Asset Manager to identify gaps in performance, and reviewing the annual Property Manager scorecard. Take corrective action as necessary to achieve goals.
3. **Set Goals** for property sustainability performance, identify projects to contribute towards meeting net zero carbon emission goals, enhance climate resilience by developing risk mitigation plans, and implement sustainability projects into annual property operations and maintenance cycles.

4. **Audit** energy, water, and waste regularly to gauge system efficiency and identify inefficiencies:
 - **Energy:** Conduct technical assessments annually and professional audits every three years to identify energy reduction strategies, opportunities for cost savings and assist with potential building certifications.
 - **Water:** Conduct technical assessments annually to prioritize building upgrades across the portfolio, identify opportunities for water conservation and cost savings and assist with potential building certifications.
 - **Waste:** Conduct technical assessments annually to quantify the amount and type of waste produced (trash, recycling, compost, e-waste, etc.) and identify opportunities for improved waste management strategies that can lead to better waste diversion rates and reduced waste management costs.
5. **Utilize** available resources to identify rebates and incentives and maintain records of available opportunities to be applied to future building upgrades and projects.
6. **Inventory** existing leases with green lease language to leverage collaboration with tenants on utility data collection and equitable cost savings between tenants/residents and Principal Real Estate.
7. **Buy responsibly** by implementing sustainable procurement policies that ensure products and services purchased for the property have minimal impact on the environment and communities:
 - Assess the products and services that are commonly purchased for the property.
 - Ask vendors to provide environmentally- and socially- preferable choices.
 - Create standard Green Bid Specifications for easy and consistent purchasing.
 - Look for products that are environmentally and socially certified by reputable organizations such as [Green Seal](#) or [EU Ecolabel](#).
8. **Integrate** sustainable building standards and practices that can reduce costs, improve tenant comfort, and enhance environmental performance into day-to-day operations, such as:

• Recycling programs • Green cleaning • Integrated pest management • Responsible contracting	• Low impact exterior site maintenance and green landscape plan • Health and wellness amenities • Indoor air quality monitoring
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9. **Offer** health and wellness amenities that create working and living environments that contribute to overall wellness.
10. **Recognize** achievements by applying for appropriate certifications, ratings, and recognition programs that validate the property managers' efforts and the building's performance, while also demonstrating the benefits to tenants and the public. Programs may include but are not limited to:

• BOMA 360 • BREEAM • ENERGY STAR* • EU Energy Performance Certificates** • Fitwel • Green Globes	• Green Lease Leaders* • IREM Certified Sustainable Property* • LEED • NGBS* • WELL
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**U.S. Only **Europe Only*
11. **Engage** tenants/residents and the community by developing engagement plans that educate and inform on sustainability best practices and property sustainability features.
12. **Leverage** vendor expertise by encouraging contractors and vendors to participate in and support the sustainability efforts implemented at the property.

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PILLARS OF RESPONSIBLE PROPERTY INVESTING (PRPI)

Sustainability Guidelines for Private Debt Origination

These guidelines are supportive of and an extension to the Principal Real Estate Sustainability Policy, and intended to provide more granular, tactical, and situationally-specific direction for Principal Real Estate staff and our borrowers.

Intent

The Principal Real Estate lending practice represents an important market mechanism to enable community and economic development and provide our clients and investors with additional opportunities to meet their investment objectives. These guidelines outline the implementation of sustainable investing in our lending process through loan origination, due diligence, underwriting, and portfolio monitoring.

Actions for Implementation

At Principal Real Estate, we believe that the sustainability attributes of assets can provide unique insights into overall financial performance and risk. Therefore, consideration of environmental, social, and governance (ESG) factors is consistent with our fiduciary responsibility and critical in our goal of developing attractive risk-adjusted returns. Consistent with this view, Principal Real Estate will conduct the following as part of its private debt investment management:

1. **Evaluate sustainability attributes of new loans.** Our standard risk evaluation process includes review of:
 - Sustainable building certifications
 - Walk, bike, and public transit scores
 - Natural hazard and physical climate change risk
 - Water scarcity risk
 - Transition risk by researching benchmarking and building performance standard regulations
 - Phase 1 Environmental Site Assessment results, including health and habitat impacts
 - Age of building energy systems
 - Regulatory and obsolescence risk
 - Socio-economic and development impacts
 - Any evidence of borrower misconduct

This information is evaluated by our underwriters and presented to Advisory, Real Estate and/or Investment Committees as part of the assessment of the overall collateral quality and competitive position in the market.

2. **Distribute annual sustainability survey.** To continually track and improve sustainability performance, we distribute an annual Borrower Sustainability Survey to existing borrowers that monitors the same building sustainability attributes reported at loan origination. This survey is distributed in conjunction with the annual financial request to collect data on the prior calendar year. Responses are tracked and analyzed in a centralized database.
3. **Improve resilience to climate change and natural hazards.** We are committed to understanding and reducing the natural hazard risk to our private debt portfolio in the following ways:
 - A standardized process to individually assess new loan originations for natural hazard risk, including flood, storm surge, tsunamis, wind, tornado, wildfire, earthquake, extreme heat, extreme rain, and drought risks, using a third-party climate risk assessment tool. If risks are identified, we may require the borrower to undertake retrofits and/or acquire insurance as appropriate.
 - Where drought is identified as a high risk by the third-party climate risk assessment, analyze water scarcity risks and regional water management practices.
 - Proactively identify and respond to regional climate risks such as sea level rise.
4. **Engage with the industry.** We are committed to working with investors, regulators, industry associations, and other groups to ensure that industry-wide sustainability standards and practices are aligned with our fiduciary responsibilities. To formalize our commitment to good corporate governance, we became a signatory to the Principles of Responsible Investment (PRI) in 2010 and submit a response to the annual PRI assessment which allows us to benchmark our governance performance against best-in-class peers.

In addition, our senior leadership team identifies high priority events and collaborations where we feel we can provide a valuable contribution as leaders in sustainability. We prioritize and work to support initiatives that:

- address needed industry standards,
- have potential for large-scale impact, and
- would benefit from our specific expertise in real estate lending.

This includes participation in several industry associations and other groups working to improve sustainability performance, including the Urban Land Institute, Mortgage Bankers Association, CREFC, ACLI, NCREIF, and the Life Mortgage and Real Estate Officers Council.

5. **Maintain strong governance practices.** Ethics and integrity are core values of Principal Real Estate. Our management practices seek to benefit investment returns, enforce policy compliance, and enhance risk mitigation. Our employees adopt these values by affirming our Corporate Code of Business Conduct and Ethics. We are committed to incorporating sustainability into decision making at all levels of our real estate lending business, ranging from senior leadership to analysts. We have formed a debt working group tasked with incorporating sustainability into our lending process. In addition, we have a dedicated Managing Director of ESG and Operations who is responsible for sustainability performance, as well as several senior leaders with sustainability among their responsibilities. We have implemented governance controls throughout our underwriting, loan approval, and monitoring process to detect and respond to any evidence of borrower misconduct.

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PILLARS OF RESPONSIBLE PROPERTY INVESTING (PRPI)

Sustainability Guidelines for Real Estate Development

These guidelines are supportive of and an extension to the Principal Real Estate Sustainability Policy, and intended to provide more granular, tactical, and situationally-specific direction for Principal Real Estate staff, our third-party property managers, service providers, and joint venture partners.

Intent

Principal Real Estate recognizes that real estate development can be an integral part of the local community, bringing significant economic, cultural, social, and environmental impacts. These guidelines are inclusive of new construction and major renovation, which is defined as 50% or more of the gross floor area under construction. Our relationships with joint venture partners, developers, service providers, and community stakeholders are critical to the execution of sustainable outcomes for new developments and major renovations. These guidelines provide best practices for sustainable development and major renovation which can be integrated throughout planning, design, and construction to enhance the environment, improve the occupant experience, and contribute to the betterment of the community.

Actions for Implementation

When evaluating and managing development projects, Principal Real Estate applies the following activities to obtain insight into sustainability risks and opportunities, resulting in an investment that is aligned with our environmental, social, governance, and resilience objectives.

Due Diligence for New Developments

- **Conduct** an environmental assessment. Use the Phase 1 environmental assessment to identify the presence of any toxic materials or proximity to health and environmental concerns including air, water, land, light and noise pollution sources and sensitive ecologies. If concerns are identified, additional environmental assessments such as a Phase II assessment, wetland study, and/or biological impact assessment may be completed.
- **Complete** a climate risk assessment to identify the site's high-risk physical hazards (floods, heat stress, hurricanes & typhoons, sea level rise, water stress, wildfires, and earthquakes) and transition risks (regulatory requirements). Consider identified high risk physical hazards and potential emissions reduction features in property design and creation of a risk mitigation plan by the property management team. Please refer to the Sustainability Guideline for Climate Resilience for further information.
- **Assess** geographic risks. Conduct seismic analysis, obtain a soil and geotechnical report, identify the flood zone, and order elevation certificates for any properties located in flood zones A, AE, AH, AO, A99, V, or VE in the U.S. In Europe, leverage best practices based on country-specific flood zones. Obtain appropriate property, liability, and environmental insurance to cover risks the site is subject to.

- **Analyze** applicable sustainable development and traffic impact fees, bonds, local energy efficiency tax incentives, and local regulations that will support sustainable development. Incorporate these into underwriting and design.
- **Review** commuting scores. Determine walk, bike, and transit scores to identify location quality and access to area amenities. Use this to help inform the features and amenities of the development.
- **Perform** thorough due diligence on joint venture (JV) partners, developers, architects, and contractors, including request for background, qualifications, experience, and financials. Collaborate with legal counsel to complete Uniform Commercial Code (UCC) federal liens and municipal searches in the U.S. Reference the Principal Board of Directors Watch List to identify any risks of doing business with the seller or developer. Complete credit and background checks and reference the Board of Directors Watch List for new JV partners and their principals. Complete OFAC checks on the seller and all owners over 20%, the seller's broker (if they do not work for a national firm), tenants and guarantors, and the JV partner.
- **Review** preliminary design for compliance with accessibility requirements. For assets in the U.S., follow FHA and ADA regulations, including checking for sufficient accessibility compliant units at multifamily properties. In Europe, follow the European Disability Strategy or applicable national accessibility standards.
- **Implement** green lease language. Work with local counsel and leasing brokers to implement Principal's standard green lease language in leases negotiated during the development phase.

In addition to the due diligence checklist, we expect our partners, developers, and service providers to conduct the below throughout the phases of development and major renovation.

Planning and design

- **Articulate** the sustainability strategy and how it may contribute to the success of the development. Target net zero emissions during construction and/or operational net zero.
- **Design** to minimize embodied carbon and use 20% less energy and water compared to the building code.
- **Complete** a life cycle assessment.
- **Pursue** green building certifications during development that verify the asset's sustainability or healthy building performance, such as CalGreen, LEED, ENERGY STAR, Green Globes, NGBS, BREEAM, DGNB, Fitwel, and WELL. Design to earn the equivalent of LEED Silver level of certification or better.
- **Consider** local community preferences and market dynamics in aesthetics, form, and function.
- **Identify and engage** with local stakeholders, community leaders, and impacted groups to establish communication protocols, monitor the impact on the local community, and ensure accountability.
- **Incorporate** site selection and planning strategies that positively impact biodiversity (including restoring brownfield sites and prioritizing locations for projects in existing developed areas, as applicable), habitat, climate change, greenhouse gas emissions, resilience, land conservation (including protecting and restoring farmland, as applicable), and transit-oriented development considerations.
- **Evaluate** the adoption of new technologies and intelligent or "smart" building systems that lead to improved efficiencies, electrification of operations, reduced fossil fuels, and enhanced occupant comfort, services, and amenities. See Sustainability Guidelines for Building Innovation and Technology for additional information on technologies.
- **Incorporate** integrative design processes and strategies with specific performance targets that exceed minimum code standards, [CBECS](#) median energy use intensity (applicable to U.S. properties only), or [CRREM](#) standards when appropriate, and that result in reduced energy, water, and waste consumption.

- **Specify** building materials, systems, and practices that minimize impacts to occupant health and improve the environment, such as low embodied carbon materials, [ENERGY STAR certified appliances](#) (U.S.), [EU energy efficiency labels](#), [WaterSense](#) plumbing fixtures, products with Environmental Product Declarations (EPDs) and Health Product Declarations (HPDs), products containing rapidly renewable and/or recycled materials, FSC or SFI certified sustainable wood, low VOC finishes, and LED lighting. This includes the use of native plants or xeriscaping in the landscaping design to reduce irrigation needs.
- **Evaluate** the feasibility of the site for renewable energy installation and storage, including photovoltaic panels, wind turbines, geothermal or hydro energy, and biofuels. Design for [solar-ready infrastructure](#). Consider renewable energy contracts, passive solar, EV charging infrastructure, and battery storage.
- **Facilitate** access to views, daylight and natural ventilation.
- **Promote** the comfort, security, and privacy of occupants, where practical, through individual occupant controls, acoustic comfort, task lighting, and other amenities.
- **Evaluate** the social and economic impacts, including housing affordability, walkability, job proximity, and other forms of income generation and benefits to the community.
- **Promote** transportation alternatives through design by incorporating bicycle facilities and pedestrian amenities and considering access to mass transit. Including supporting the use of alternative and fuel-efficient transportation including access to EV charging stations.
- **Provide** health and wellness amenities. Consider on-site and local physical activity spaces that will encourage healthy decisions by tenants/residents.
- **Install** smart, shadow, or master meters to aid in benchmarking whole-building energy and water data. All properties are expected to install a building-level energy meter or submeter that can be aggregated to provide total building energy consumption, especially in situations such as multifamily properties that have multiple tenants or residents.

Construction

- **Ensure** project team members are educated and held accountable for environmental goals and processes, product standards, sustainability targets, and community engagement requirements.
- **Create** a safe and healthy construction site by complying with all applicable regulations.
- **Manage** construction waste through recycling and reuse of at least 50% of materials, as appropriate, and fully utilize all available local resources and programs.
- **Protect** air quality, water quality (including groundwater, surface water, and drinking water), and local ecosystems by managing potential construction pollutants, reducing the heat island effect and light pollution.
- **Restore** habitats, soils, and site conditions disturbed during construction.
- **Commission** energy, water, lighting, HVAC, and other building systems to ensure proper installation and performance levels.
- **Report** on environmental and social risks and impacts, in addition to mitigation strategies, to ensure compliance with project targets, procedures, practices, and all applicable regulations.
- **Track** the share of raw building materials (excluding recovered, recycled and biosourced) compared to the total weight of building materials used for assets in funds subject to SFDR.
- **Align** tenant and landlord interests via the inclusion of green leasing language when pre-leasing.
- **Conserve** water during construction, reduce dependence on evaporative cooling, and reuse condensate water.

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PILLARS OF RESPONSIBLE PROPERTY INVESTING (PRPI)

Sustainability Guidelines for Responsible Contracting

These guidelines are supportive of and an extension to the Principal Real Estate Sustainability Policy, and intended to provide more granular, tactical, and situationally-specific direction for Principal Real Estate staff, our third-party property managers, service providers, and joint venture partners.

Intent

Principal Real Estate expects its contractors to maintain a work environment where people are treated with dignity and respect and where all applicable laws and regulations are upheld. Our expectations are communicated directly to our contractors and incorporated in construction contracts and service agreements. These guidelines outline how we define responsible contractors, competitive bidding, and contractors' responsibilities. *These guidelines apply to the U.S. only.*

Actions for Implementation

1. Principal Real Estate **expects** its contractors to:
 - Maintain a work environment where people are treated with dignity and respect.
 - Use only voluntary labor.
 - Follow all applicable wage and benefit laws.
 - Not employ underage individuals in violation of any applicable child labor laws.
 - Comply with all laws and regulations on bribery, corruption, privacy, antislavery, human trafficking and prohibited business practices in the countries in which they conduct business, including but not limited to, the United States Foreign Corrupt Practices Act. This includes transporting, harboring, recruiting, transferring, or receiving vulnerable persons by means of threat, force, coercion, abduction, or fraud for the purposes of exploitation.
 - Provide a work environment that is safe and healthy, and free of harassment and unlawful discrimination.
 - Not engage in discrimination based on age, race, color, religion, sex, gender identity, pregnancy, national origin, citizenship status, disability, sexual orientation, marital status, domestic partner status, or veteran status.
2. Principal Real Estate contractors shall **comply** with laws by:
 - Conducting their business activities in full compliance with applicable laws and regulations in all jurisdictions in which they operate.
 - Not offering payment, consideration, or benefit of any kind which constitutes an illegal or corrupt practice, either directly, indirectly, or on behalf of Principal Real Estate, as an inducement or reward for entering into a contract or in connection with the provision of any goods or services under a contract.
3. Principal Real Estate **expects** contractors to adhere to the following requirements:

- Submission upon request to Principal Real Estate, or its designee, of a responsible contractor self-certification in a form and substance approved by Principal Real Estate.
 - Communicate to employees, agents, and subcontractors the Responsible Contractor Policy described herein.
 - Utilization of industry best practices when selecting subcontractors.
 - Take all precautions reasonably necessary to protect customer and employee information and to maintain physical, technical, and procedural safeguards in compliance with all applicable data security and cybersecurity laws, including but not limited to the European Union General Data Protection Regulation (GDPR) and others.
 - Self-monitor compliance with this policy through their own administrative processes and promptly notify Principal Real Estate in writing if a violation occurs.
4. Principal Real Estate commits to competitive bidding, considering:
- Applicable laws, rules, regulations and Principal Real Estate's fiduciary standards and obligations.
 - Contractors for construction, maintenance, and services shall be selected through a competitive bidding and selection process when commercially reasonable.
 - Encouragement of fair competition and bids from all qualified sources within an area, particularly those identified as responsible contractors.
 - Contractors' experience, reputation for honesty, integrity, timeliness, dependability, fees, safety record, and adherence to these guidelines.
 - Union labor as a positive factor in the bidding process, however significant weight is given to the entire bid, including quality, timeliness, service, and price.
 - Principal's contractual and fiduciary responsibilities, and applicable laws, rules, and regulations.
5. These guidelines shall not apply to investments where Principal Real Estate (or an affiliate) does not have control of the investment through the power to direct or cause the direction of the management of or policies affecting the investment, directly or indirectly, whether through the ownership of voting securities or other beneficial interests, by contract or otherwise.

The Principal Real Estate Sustainability Policy and supporting guidelines are reviewed and approved annually by the Managing Director of ESG and Operations, the Sustainable Investing Working Groups, and the CEO of Principal Real Estate. These Guidelines hold the same applicability to assets as the PRPI Sustainability Policy, unless otherwise stated or notified by Principal Real Estate.