



# *Sustainability* at Principal Real Estate

OCTOBER 2024 | PRIVATE EQUITY AND PRIVATE DEBT

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# About Principal Real Estate

Principal Real Estate is the dedicated real estate investment group within Principal Asset Management. Our real estate capabilities span the spectrum of public and private equity and debt investments. Our specialized market knowledge, dedicated and experienced teams around the globe, and extensive connections across all four real estate quadrants support our efforts to maximize opportunities and find the best relative value on behalf of our clients. We are recognized globally as a leader in sustainable investing.<sup>(1)</sup>

**Top 10**  
global real estate manager<sup>(2)</sup>

**\$97.7 billion**  
in real estate assets under management<sup>(3)</sup>

**Over 315 real estate investment professionals**  
averaging 14 years of experience with the firm<sup>(4)</sup>

**More than \$124 billion**  
in real estate debt and equity transactions over the past decade<sup>(5)</sup>

# UN Sustainable Development Goals

Principal Asset Management has made the commitment to align with the UN Sustainable Development Goals (SDGs). The SDGs where we focus our alignment include:



As of 30 June 2024.

<sup>(1)</sup> As recognized by Global Real Estate Sustainability Benchmark (GRESB) assessment: 4-Star rating ninth consecutive year, 2024—top 40% worldwide performance., data as of December 2023 and ENERGY STAR: Partner of the Year, Sustained Excellence 2018–2024, April 2024. In order to receive a ranking, the Firm paid GRESB an application fee to be evaluated and rights to use the rating.

<sup>(2)</sup> Managers ranked by total worldwide real estate assets (net of leverage, including contributions committed or received, but not yet invested; REOCs are included with equity; REIT securities are excluded), as of 30 June 2024. “The Largest Real Estate Investment Managers,” Pensions & Investments, 7 October 2024..

<sup>(3)</sup> Includes clients of, and assets managed by, Principal Real Estate Europe Limited and its affiliates. Assets under management figure shown here does not include assets that are managed by Principal International and Retirement and Income Solutions divisions of Principal. Due to rounding, figures shown may not add to the total.

<sup>(4)</sup> Includes investment professionals of Principal Real Estate Europe Limited and its affiliates.

<sup>(5)</sup> Excludes public REIT transaction volume.



# Executive summary

This annual sustainability report provides an overview of Principal Real Estate's environmental, social, and governance performance in 2023. Our commitment to sustainability remains steadfast, as demonstrated by our continued progress in reducing our carbon footprint, enhancing efficiency, and fostering a positive impact on the communities where we invest.

## Key highlights<sup>(6)</sup> include:

- **ENVIRONMENTAL IMPACT:** We achieved a 5.5% reduction in greenhouse gas emissions in the United States since baseline driven by improvements in energy efficiency across our operations.
- **RESOURCE MANAGEMENT:** Waste diversion rates improved to 34.8% in our European portfolio, thanks to enhanced recycling programs and waste reduction initiatives. Additionally, we reduced water use intensity by 21.4% in the United States through the implementation of water conservation measures.
- **SOCIAL RESPONSIBILITY:** We continued to invest in single-family, multifamily, and manufactured housing to foster affordable housing opportunities.
- **GOVERNANCE AND ETHICS:** We reinforced our commitment to transparency through improved reporting mechanisms and robust protocols.

Looking forward, we continue to work towards our 2035 reduction goals and reaching net zero by 2050. Our ongoing dedication to sustainability reflects our belief in creating long-term value for our stakeholders while positively impacting the environment and society. This report underscores our progress and outlines our future goals.



Solaris Key, Clearwater, FL

<sup>(6)</sup> Data as of December 31, 2023

# A letter from our Executive Managing Director



**TODD EVERETT**

Executive Managing Director,  
Global Head of Private Markets

“  
*Grounded in our continued commitment to responsible property investing and strong governance practices, sustainable investing is crucial to meeting the expectations of our business, investors, and tenants.*”

At Principal Real Estate, we seek to invest in, operate, and lend on real estate that delivers positive financial and sustainability outcomes for our stakeholders while promoting health and well-being for tenants and residents, minimizing environmental impacts, and enhancing the communities where we invest. Our sustainable investing strategy includes our environmental, social, governance, and resilience efforts.

Since the mid-2000s, we have been on a sustainability journey: We launched our first Green Property Strategy, acquired our first green building certifications, and took steps to increase the sustainability of our operations and assets. We developed our own sustainable investing platform called the Pillars of Responsible Property Investing (PRPI) and used this to help drive sustainability best practices and results throughout our investment processes. In 2021, we published our most recent update to the PRPI platform, which features our next generation of goals, including targeting net-zero carbon emissions by 2050.

In 2023, our private equity team continued our decarbonization efforts with the implementation of property specific carbon action plans, energy audits, and renewable energy feasibility studies. In addition, the team conducted on-site sustainability property audits to educate property managers on operations expectations, provide property level support, and gain insights into property ESG achievements. Our private debt team utilized our borrower toolkit outlining best practices for borrower engagement and continued work on data collection through an updated and digitized borrower sustainability survey.

As part of our sustainable investing platform, we work to foster diversity, equity, and inclusion within Principal Real Estate. We support employees through organizations like our internal Women in Real Estate group and Commercial Real Estate Women (CREW), partner with area high schools to expose students to careers in finance, and offer scholarships for students to pursue higher education. We seek to make a social impact through our investments as well. As housing prices rise, we invest in affordable housing initiatives to provide quality options that meet the needs of the community.

We're proud of the progress we've made to date to reduce our environmental impact and support social initiatives. Grounded in our continued commitment to responsible property investing and strong governance practices, sustainable investing is crucial to meeting the expectations of our business, investors, and tenants.

A handwritten signature in black ink, appearing to read "Todd E. Everett". The signature is fluid and cursive, with a stylized "E" and a long, sweeping underline.



## Private equity and private debt

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 the responsible property investing framework in 2008. Since then, the framework has been expanded and enhanced to encompass environmental, social, governance, and resilience to become the [Pillars of Responsible Property Investing](#) (PRPI).

The PRPI platform is based on a foundation of governance, guiding policies, reporting practices, and research. The cornerstones represent how we apply sustainability best practices throughout the lifecycle of an investment, and the five pillars guide our investment management practices. The foundation, cornerstones, and pillars support our overall sustainable investing vision.

### Pillars of Responsible Property Investing (PRPI)

*Private Equity and Private Debt<sup>(7)</sup>*

#### VISION

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

#### PILLARS | The principles that guide our ESG decision making.

Each pillar consists of key performance indicators (KPIs) used to track sustainability performance and progress.



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



**Occupant experience**  
Enhancing occupant wellbeing by providing healthy, safe, and equitable spaces



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



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



**Managerial excellence**  
Ensuring accountability and oversight of sustainability policies, operations, data quality, and regulatory requirements

#### CORNERSTONES | Our core management approach that drives results at the property level.

The cornerstones represent an iterative, continuous improvement cycle, starting at property acquisition or loan origination and continuing until disposition or loan maturity.



#### FOUNDATION | The ESG infrastructure that informs and supports the PRPI Sustainable Investing platform.

##### Governance

Governance to strengthen internal and external accountability, transparency, and operational controls

##### Policies

Policies to set clear ESG expectations

##### Reporting

Reporting to provide stakeholders with actionable, clear information aligned with industry benchmarks








##### Research

Research to anticipate and assess industry trends and evolving sustainability management needs

<sup>(7)</sup> Applies to Principal open-end discretionary managed funds. Separate accounts may opt into participation.

## Sustainability targets

As part of the enhanced PRPI Sustainable Investing platform, we have set new targets for **accomplishment by select discretionary private equity investment vehicles**. Using a 2019 baseline,<sup>(8)</sup> our targets for 2035 are:

-  **40%** reduction of greenhouse gas emissions (**Net zero** by 2050<sup>(9)</sup>).
-  **20%** reduction in energy use intensity.<sup>(10)</sup>
-  **20%** reduction in water use intensity.<sup>(10)</sup>
-  **20%** of waste diverted from landfill.
-  **50%** utility data coverage.
-  **20%** of energy use from renewable energy.
-  **50%** of total portfolio assets with building certifications.<sup>(11)</sup>



## DEFINING NET ZERO

In support of global efforts to limit warming to 1.5 °C, we have set an emissions target for select private equity investment vehicles: 40% reduction in emissions by 2035 and net zero by 2050.

Principal Real Estate defines net zero as the annual carbon emissions generated from a building's use of fossil fuel generated, GHG-emitting energy being reduced to zero based on the adoption of energy efficiency, on- and off-site renewable energy sources, and carbon removal offsets, if needed.

We define the boundary of our GHG emissions in alignment with the World Resources Institute's Greenhouse Gas Protocol ("GHG Protocol") using an Operational Control approach. We account for Scope 1 and Scope 2 emissions (energy consumption in owned spaces where the investment vehicle pays the utility bill), and to the extent possible, material Scope 3 emissions (currently including energy consumption in tenant spaces where tenant pays the utility bill to the extent the data is available to the investment vehicle).

<sup>(8)</sup> The previous iteration of environmental targets ended in 2020. A 2019 baseline was selected for the 2035 targets instead of 2020 as COVID-19 had a significant impact on building operating decisions in 2020. 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.

<sup>(9)</sup> See "Defining net zero" section for detail on net zero target.

<sup>(10)</sup> Principal Real Estate's energy and water reduction goals are measured using energy/water intensity defined as energy/water per square foot and calculated by dividing the total energy/water by the gross floor area of the building.

<sup>(11)</sup> Building certifications include new development and operational asset certifications and only apply to multifamily, office, retail, and industrial property types. Calculated by number of certified assets. As investment vehicles expand into other property types, inclusion in this goal will be determined by applicability of building certifications to the property type.



## ACHIEVING NET ZERO

Our strategy for achieving net zero starts with a focus on reducing building energy use through energy efficiency projects, low- or no-cost operational improvements, investment in capital expenditures, tenant engagement, and building electrification. Next, we will focus on renewable energy generated on-site or off-site, and potential renewable energy credits. For any GHG emissions remaining after reduce and renew projects, we will look at carbon removal offset options with a focus on authentic long-term carbon removal.



### Reduce

Reduce carbon emissions through:

- Energy efficiency
- Operational and capital improvements
- Tenant engagement
- Building electrification



### Renew

Utilize renewable energy:

- On-site renewable energy
- Off-site renewable energy
- Renewable energy credits (RECs)



### Restore

Offset the impact of carbon through:

- Carbon removal
- Carbon offsets

The Principal European Durable Income Fund has set an ambitious goal to achieve a net zero status by 2030. To meet this goal, the fund is taking an asset-by-asset approach to reduce the portfolio's carbon emission to the greatest extent possible. A carbon action plan has been developed for each asset, which helps the asset and property management teams to prioritize energy efficiency measures over the lifecycle of the asset.

The strategy, which invests in long-term leased properties in the Eurozone, aiming for investment grade tenants, follows the energy hierarchy (reduce – renew – restore). Priority is on operational emissions reductions, emphasizing investments that produce a return on investment and reduce carbon. Next, properties will turn to on-site renewables, followed by green power procurement. After exhausting reduction and renewal activities, the strategy will utilize high-quality offsets with preferences given to products which are third-party verified.

“By adopting property-level carbon action plans, we are redefining the relationship between real estate and carbon, one asset at a time.”

#### GILES SMITH

Senior Managing Director, Head of Fund Management, Principal Real Estate Europe



# Sustainability initiatives and accomplishments

ENVIRONMENTAL | Social | Governance

## Environmental

In 2023, we made significant progress in the environmental performance of our assets. We invested in energy efficiency, renewable energy, water use reduction, and waste diversion efforts. We reduced our GHG emissions, analyzed our climate risks, and invested in energy efficiency measures.

With the completion of the 2020 targets, we have established 2035 targets using a 2019 baseline<sup>(12)</sup>, including a goal of net zero emissions by 2050 or sooner.

### 2035 sustainability targets

#### U.S. PROGRESS<sup>(13)</sup>



**-5.5%**

**GHG emissions  
consumption reduction**

**TARGET:** 40% reduction



**-0.5%**

**Energy use intensity reduction<sup>(14)</sup>**

**TARGET:** 20% reduction



**63%**

**energy data coverage**

**78%**

**water data coverage**

**50%**

**waste data coverage**

**TARGET:** 50% data coverage



**-21.4%**

**Water use intensity reduction<sup>(14)</sup>**

**TARGET:** 20% reduction



**21.9%**

**Waste diversion**

**TARGET:** 20% diversion



**0.1%**

**Renewable energy**

**TARGET:** 20% of energy use



**31.2%**

**Total portfolio assets  
with certification<sup>(15)</sup>**

**TARGET:** 50% total portfolio  
assets certified

**Net Zero  
2050**

Principal Real Estate's progress towards targets includes Core accounts. Separate accounts are not included in these metrics.

<sup>(12)</sup> The previous iteration of environmental targets ended in 2020. A 2019 baseline was selected for the 2035 targets instead of 2020 as COVID-19 had a significant impact on building operating decisions in 2020.

<sup>(13)</sup> The information provided is based on data input by individual property teams as of December 2023 into ENERGY STAR Portfolio Manager, with select review and validation. Baselines represent the start date for the estimated energy, GHG, water, and waste savings calculations described on this page. Baseline is generally viewed as the 12 months preceding December 2019, the year before Principal Real Estate Investors joined ENERGY STAR. 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. Many properties have individual baselines set according to unique circumstances.


<sup>(14)</sup> Principal Real Estate's Energy and Water Reduction Goals are measured using energy/water intensity, defined as energy/water per square foot. It's calculated by dividing the total energy/water by the gross floor area of the building.


<sup>(15)</sup> Building certifications include new development and operational asset certifications. Calculated by number of certified assets. Multifamily, office, retail, and industrial property types only. As funds expand into other property types, inclusion in this goal will be determined by applicability of building certifications to the property type.





# 2035 sustainability targets


EUROPE PROGRESS<sup>(16)</sup>


**-5.3%**  
GHG emissions  
consumption reduction  
**TARGET:** 40% reduction


**1.5%**  
Energy use intensity increase<sup>(17)</sup>  
**TARGET:** 20% reduction

**0.03%**  
Water use intensity increase<sup>(17)</sup>  
**TARGET:** 20% reduction

**34.8%**  
Waste diversion  
**TARGET:** 20% diversion

**1.7%**  
Renewable energy  
**TARGET:** 20% of energy use

**42.2%**  
Total portfolio assets  
with certification<sup>(18)</sup>  
**TARGET:** 50% total portfolio  
assets certified

**79%**  
energy data coverage  
**89%**  
water data coverage  
**33%**  
waste data coverage  
**TARGET:** 50% data coverage

**Net Zero  
2050**



<sup>(16)</sup> The information provided is based on data input by individual property teams as of December 2023 into ENERGY STAR Portfolio Manager, with select review and validation. Baselines represent the start date for the estimated energy, GHG, water, and waste savings calculations described on this page. Baseline is generally viewed as the 12 months preceding December 2019, the year before Principal Real Estate Investors joined ENERGY STAR. 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. Many properties have individual baselines set according to unique circumstances

<sup>(17)</sup> Principal Real Estate's Energy and Water Reduction Goals are measured using energy/water intensity, defined as energy/water per square foot. It's calculated by dividing the total energy/water by the gross floor area of the building

<sup>(18)</sup> Building certifications include new development and operational asset certifications. Calculated by number of certified assets. Multifamily, office, retail, and industrial property types only. As funds expand into other property types, inclusion in this goal will be determined by applicability of building certifications to the property type

## Climate risk analysis

### PRIVATE EQUITY

Climate risk analysis is completed on all of our private equity assets. This analysis reviews a property's risk of exposure to seven **physical hazards**: flooding, heat stress, hurricanes and typhoons, sea level rise, water stress, wildfires, and earthquakes. As an increasing number of jurisdictions adopt climate action plans, renewable energy portfolio standards, and other environmental regulations targeting greater energy efficiency and reduced carbon emissions, we must also evaluate a property's risk associated with meeting these requirements. Our **transition risk** analysis process compares the property's actual emissions (depending on data availability) necessary to meet 1.5°C global warming scenarios. This provides insight into the level of carbon reduction needed at the property. In addition, we use several databases to identify regulations a property may be subject to.

#### Due diligence process

For new property developments where a high-risk physical hazard has been identified, the team engineer reviews the property's design to determine if it properly accounts for the identified risk. We adjust design and/or operational procedures for risk mitigation as applicable and incorporate changes and recommendations into the underwriting and committee approval process if needed. Once the property is operational, the property manager is notified of the identified climate risks and provided operational mitigation strategies for each identified risk.

For existing property acquisitions during the due diligence period, we provide information on identified high risks to the Property Condition Assessment (PCA) consultant, who considers the high-risk hazards in their on-site review and provides recommendations for mitigation practices via capital improvements and/or operational procedures. The team engineer and acquisitions team review these recommendations, then incorporates them into the underwriting and committee approval process as needed. Upon closing, we notify the asset manager and property manager of the identified climate risks and resiliency measures identified by the PCA consultant and provide best practice mitigation strategies specific to those risks.

In addition to providing physical hazard information to the asset manager and property manager, we also notify the team of any identified regulations the property is

subject to. As required in our PRPI Sustainable Investing platform, property managers must ensure the property complies with all local, state, and regional regulations.

### Portfolio risk analysis

Thirteen Principal Real Estate investment strategies have completed physical and transition risk analysis on their entire portfolio of owned assets. The investment strategies use this information in their annual investment strategy to identify high-risk assets for needed capital improvements or operational changes and to better understand their overall environmental risk and impact.

### PRIVATE DEBT

The Principal Real Estate Private Debt team is committed to understanding and reducing the climate and natural hazard risk to our portfolio.

To understand physical climate risk, analysis is conducted on all new loan originations. This analysis provides risk ratings for a variety of current hazards including fluvial and pluvial flooding, FEMA flood zone, storm surge, tsunamis, wind zone, tornado, wildfire, and earthquake. In addition, the analysis reviews the risk of sea level rise and tidal flooding, extreme heat, extreme rain, and drought as of 2050. Any identified risks are considered in conjunction with the property condition assessment and existing or planned risk mitigation at the property to determine if the loan should be originated.

In addition, we have a standardized process to individually assess the natural hazard risk of new loan originations including flood, earthquake, and windstorm risk. Based on this analysis, we require the borrower to undertake retrofits and/or acquire insurance where appropriate. We also develop an annual estimate of the portion of our loans exposed to each type of natural hazard so that we can manage systemic portfolio risk.

**100%** of newly acquired assets completed climate risk analysis.

**13** Principal Real Estate Investment strategies have completed portfolio level analysis.

**44** climate risk reports completed on new loan originations

Formed a water scarcity working group in **2022**



## Renewable Energy Projects

At our properties nationwide, we are pursuing solar opportunities by installing solar panels directly or leasing roof space for solar panels. The energy generated by the solar systems is either serving the buildings' on-site loads or used by local businesses and residential off-takers through community solar programs. These opportunities are being reviewed in conjunction with a solar energy consultant, who has been engaged to complete a portfolio-level analysis of opportunities for solar.

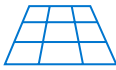


Solar Project, Signature Center, Pleasanton, CA



**1,267**

Electric vehicle charging stations across U.S. and EU Private Equity assets



**8**

Operational solar systems in the United States



**57,914**

megawatt-hours (MWh) of GPP purchased in 2023 across the United States and Europe<sup>(19)</sup>



**13**

Assets selected for community solar programs across IL, NJ, NY, and MD



**2**

On-site solar systems under construction in the United States

<sup>(19)</sup> GPP Purchased is inclusive of consumed by both landlord and tenant.

## Decarbonization Action Planning

In 2023, we began a Carbon Action Plan Pilot program in the United States with select properties from five different real estate funds. The goal for this pilot program is to develop a foundation to roll out decarbonization planning for the funds in 2024. A carbon action plan is a tool for asset managers and property managers to monitor and implement decarbonization projects at the property level. As part of these plans, each property was assessed on: sources and uses of energy, renewable energy potential, efficiency initiatives implemented, efficiency opportunities and incentives, and tenant engagement strategies. In 2024, we will build on lessons learned to expand the number of assets with property-specific emissions reduction plans. These plans will enable management teams to compare property progress against our overall goal to reduce greenhouse gas emissions 40% by 2035 and reach net zero by 2050.

### PROPERTY-LEVEL DECARBONIZATION PLANNING

Torre Llacuna is a 12-story office building, constructed in 2001, located in Barcelona, Spain. The asset is owned by the Principal European Office Strategy and is currently undergoing a major renovation. As part of the renovation process, the asset is incorporating the following decarbonization and energy efficiency improvement measures:

1. Architectural Design and Fabric Upgrade: The fabric upgrade will involve the replacement of glazing in the façade to a better performing technology, metal; cladding will be upgraded, and the airtightness of the building will be improved. These measures will achieve an annual cost savings of €11,413.
2. Building Management and Optimisation: The existing Building Management System (BMS) will be upgraded to include integration of all new smart and sub-meters and a BMS optimisation will be undertaken, which could result in up to a 10% energy savings.
3. Renewable Energy: The installation of a PV system will contribute to the improvement of the building's electricity consumption and hot water provision. The anticipated electricity generation is 52,122 kWh in the first year.
4. Ventilation Replacement: The improvement of the ventilation system will lead to a carbon reduction of 5.9 tn/year.
5. Lighting Design and Controls: All lights will be replaced with LED lights and controls and sensors will be added to the tenant and landlord areas which will lead to artificial light only being used when required.
6. Fitout Upgrade: This involves measures such as reducing electricity consumption for small power appliances in the tenant areas, replacing equipment with more efficient high Energy Star rated alternatives and ensuring optimum operation schedule.

After all decarbonization measures are in place, the asset will see an annual carbon reduction of 50.4 tons.



Torre Llacuna





# Sustainability initiatives and accomplishments

Environmental | **SOCIAL** | Governance

## Social

In addition to our environmental achievements, we advanced social initiatives supporting affordable housing, youth development, and women's advancement. We continued to embed diversity and inclusion strategies throughout our global operations and achieved an inclusion index score of 82% among our employees in 2023. We built on our designation as a Fitwel Champion, and we expanded our efforts and building certifications to enhance the health and wellness of our tenants.

### Affordable housing

#### THE HOME FOR ALL PLEDGE

Principal Real Estate commits to the Mortgage Bankers Association (MBA) [Home for All Pledge](#). This pledge formalizes our commitment to promote affordable housing and diversity, equity, and inclusion in housing and our company. Signatories help the industry promote policies that support continued liquidity and stability in multifamily markets, and remove barriers to increase the supply of rental housing across the US.

#### LOW-INCOME HOUSING TAX CREDITS

Since 2004, Principal Real Estate has played a role in providing safe and affordable housing by investing in Low-Income Housing Tax Credits which support affordable housing for lower-income individuals in the U.S.

Through a program managed by Principal Real Estate, Principal Life Insurance Company has committed over \$600 million to affordable housing investments over the past 20 years. Money from Principal and its partners has been used to develop or redevelop more than 105,000 housing units across more than 40 U.S. states and territories for households that the federal government classifies as "low-income" or "very low-income".

Principal Real Estate and its partners invest cash needed for those properties to be developed or redeveloped and receive our return primarily via tax benefits instead of cash. That allows the properties to charge rents far lower than they otherwise would charge, making the units more affordable for lower-income residents to rent.

We understand that alleviating severe rent burdens faced by lower-income households allows families to spend more of their money on food, clothing, healthcare, education and other items that improve their lives in a variety of ways. Principal is proud to play a role in improving those families' lives!

#### SINGLE-FAMILY RESIDENTIAL

Single-family residential for rent is an affordable alternative to single-family home ownership as home values grow faster than household income. Since 1990, median household income growth has trailed home price appreciation creating a meaningful limit to homeownership for several generations. Millennials and Gen Z are entering peak rental years and renting for longer as many delay life events such as marriage, home buying and children, and the Baby Boomer (age 60+) cohort continues to grow, increasing demand for single-family rental. We have partnered with two vertically integrated operators to build single-family rental portfolios in key growth markets across the U.S. In 2023, 60 single-family homes were purchased by our U.S. Core Strategy with \$16M in capital deployed.

Principal Real Estate's participating loan fund originated a participating construction loan for a 260 unit apartment project in south Florida. The three 8-story buildings offer studio, 1, 2, and 3 bedroom units as well as 11,000 sf of first floor retail space. This is a market rate development at origination, but the lender allowed for a conversion of 87 units to low income designations as part of Florida's new Live Local Act tax exemption program. Going forward, all 260 units will be converted to 80-120% of AMI to take advantage of up to a 75% tax exemption and provide the county with high quality affordable housing. In order to qualify for this program, the project has to be new construction with at least 71 units in the project and offers rent that can't exceed 90% of fair market value for the county it is located in.

## MANUFACTURED HOUSING

Our U.S. Real Estate Core Property Strategy formed an exclusive joint venture with a vertically integrated operating partner to acquire manufactured housing properties in high-growth markets with two acquisitions completed in 2021. As the path to single-family homeownership becomes increasingly expensive, manufactured housing offers many of the benefits of single-family housing at a lower price point: the average cost of a new single-family home is approximately seven years of the area median income while the cost of a manufactured home is approximately two years of the median income. In addition to a lower price point relative to single-family home ownership, manufactured housing typically includes amenities consistent with those of traditional multifamily properties.



Rincon is an age restricted (55+) manufactured housing community located in Tucson, Arizona. The property offers many community amenities including a heated pool and spa; fitness center; bocce ball, shuffleboard, pickleball and tennis courts; library; activities center with woodworking shop, arts and crafts room, sewing room, lapidary room, and pottery studio; classrooms and community spaces; coffee bar; courtyards; and auditorium. In addition to the amenities available to residents, the property offers daily activities and clubs for hobbies including exercise classes, arts groups, cards and games groups, health and wellness activities, educational sessions, on-site community events, coordinated off-site events with shuttle service, and more. On top of the wide array of community amenities, Rincon is an affordable housing option. Park model homes offer a discount of approximately 25% to 34% of single-family home sales.<sup>(20)</sup>

<sup>(20)</sup> Based on median home value within a 3-mile radius and average sale price for a park model home at Rincon West and Rincon East. Principal's internal view that also aligns with the National Home Builders Association Index and the Goldman Sachs Housing Affordability Index.

## HEALTH CARE STRATEGY

The Principal Health Care Strategy consists of a regionally diversified portfolio of healthcare properties and pursues a long-term, sustainable investment strategy. Investments are made in various sub-asset classes within the healthcare sector, such as nursing homes, assisted living facilities, rehabilitation clinics in the fields of psychiatry, gerontology, and oncology, and medical care centers.

The strategy supports the provision of medical care and nursing facilities, in alignment with SDG #3: Good Health and Well-being.

In addition to providing healthcare services for the surrounding communities, the strategy strives to implement energy efficiency best practices in order to reduce carbon emissions in the real estate sector.

The entire portfolio completed a stranded-asset analysis and subsequently a detailed energy analysis - the identified energy efficiency measures are now being budgeted for the coming years.

The Health Care property class is characterized by long-term leases (10 years or longer). A special type of tenant engagement requires our team to foster close relationships with the tenants and properties. Tenant needs and responsibilities are closely monitored through regular reporting and meetings.

Targeted investments in the properties, which serve the respective user purposes, ensure that the properties are rentable in the long term. Investments in sustainable systems, such as photovoltaics, are also playing an increasingly important role and are being considered for assets in the portfolio.



Care Home in Germany



## Site redevelopment in an opportunity zone

Principal's general account originated a construction to perm loan on Yard 56 apartments located in an opportunity zone in Baltimore in early 2022. This project, which is now complete and stabilized, is a Class A 7-story building with 227 units and 5,700 sf of retail. The development team was honored by the Urban Land Institute (ULI) Baltimore Chapter with a WaveMaker Award as part of the project team for the Yard 56 mixed-use development in East Baltimore. Yard 56 is a 20-acre planned development that arose out of community need and utilized previously blighted industrial land. The development includes residential buildings (of which Principal was the lender), retail, community healthcare, recreational elements, and green spaces. The project has a strong commitment to sustainability and social equity. All buildings meet the Baltimore City Green Building Code, and the Lofts at Yard 56 is National Green Building Standard silver-certified. Additionally, the entire site has gone through the Maryland's VCP program, a hallmark of sustainable development. Century-Kleinfelder provided services for two of the development's buildings—the Wellness Center and The Lofts at Yard 56.

In pursuit of the NGBS certification, the design includes a number of features which will generate utility cost savings relative to code minimums. Energy efficient windows, appliances, mechanical equipment, and lighting fixtures all contribute to energy savings (20%+), and low-flow plumbing fixtures contribute to water savings (30%+).



**Site History:** The Yard 56 mixed-use property was a former Porcelain Enamel Manufacturing (PEMCO) site containing approximately 20 acres (which includes the subject site) with an on-site landfill called Crystal Hill. PEMCO manufactured porcelain glazes and inorganic pigments for ceramics. Manufacturing began in the early 1900's and the site operations ceased in 2007. There was a ravine running through the western portion of the site and as part of their operations, PEMCO used it as a landfill. Landfilling activities ceased in 1979 and it was capped.

Under PEMCO ownership, the subject property participated in the United States Environmental Protection Agency's (USEPA's) Facility Lead Program (FLP) to assess environmental conditions on the property. PEMCO initiated its participation in the FLP with submission of a Site Characterization Work Plan in December 2006, which was approved by the USEPA in January 2007. A Voluntary Cleanup Program (VCP) application was submitted to the Maryland Department of the Environment (MDE) in February 2007, a Site Characterization and Risk Assessment Report was finalized in May 2013, and a Response Action Plan (RAP) was submitted to the MDE VCP in September 2013. The redeveloper (our sponsor) submitted a new RAP and VCP application in 2014 which was accepted.

**Redevelopment Status:** The Borrower submitted their completed work to MDE and was issued a Certificate of Completion (COC). The Borrower will not be required by MDE to perform any more clean-up on site and will maintain the cap on site as well as the vapor mitigation system installed in the building. They will also still be under the jurisdiction of the EPA to report on groundwater conditions via the monitoring wells.



## Supporting youth

### PRINCIPAL REAL ESTATE SCHOLARSHIP PROGRAM

Principal supports education by annually awarding higher education grants for targeted student engagement, experiential learning initiatives, and diversity and inclusion development. Building on the commitment of Principal to support higher education, Principal Real Estate established a scholarship program in 2020 for students who are members of a minority group, veterans, have a disability, or have financial need. The scholarship offers up to \$7,500 per student per year, renewable for up to four years. Through 2023, 11 students have been awarded scholarships since its inception.

### CO-OP INTERNSHIPS

Principal Real Estate supports youth and higher education through our co-op internship programs. Principal Real Estate's co-op internship program brings in students who want to gain education and experience in areas such as Acquisitions and Dispositions, Private Debt Origination, Debt and Equity Asset Management, and operational and fund accounting.

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

### ROTATIONAL ANALYST PROGRAM

Principal Real Estate's Rotational Analyst Program allows incoming analysts to rotate through roles in all four of the quadrants of real estate investment. The analysts spend time in each of the areas so they have a broader view of real estate operations prior to starting their careers in any one of the areas. In accepting participants into this rotational program, we place a strong focus on diversity and inclusion. Trenton Burney is a current Commercial Real Estate Rotational Analyst participating in the program. During his time in the program, he will rotate through different roles in the four quadrants of real estate. When asked about his experience in the program Trenton said, "My experience in Principal Real Estate's Rotational Analyst Program has come with many invaluable insights. One of my biggest takeaways has been seeing how the four quadrants of real estate work hand-in-hand and connecting the dots myself by using knowledge I have acquired in the program along with critical thinking. All-in-all the program has been challenging, insightful, and fulfilling. I couldn't have asked for a better opportunity to see real estate for all its glory."

"I couldn't have asked for a better opportunity to see real estate for all its glory."

**TRENTON BURNLEY**  
CRE Rotational Analyst



## Women's advancement

### WOMEN IN REAL ESTATE

To help attract, retain, and advance women in the organization, in 2016, Principal Real Estate established Women in Real Estate (WIRE). The mission of WIRE is to create development and networking opportunities that attract, develop, advance, and retain women, promote an inclusive and diverse organizational culture, and cultivate leadership in the global real estate investment management industry. The group hosts regular events focused on professional development topics such as public speaking and career path development as well as networking, skill-building, and service opportunities. Additionally, WIRE offers a formal mentoring program each year that provides participants the opportunity to learn from senior members of Principal Real Estate.

### GIRLS WHO INVEST

Principal has joined other top investment firms across the US, UK and Canada in supporting Girls Who Invest (GWI). This is an early-stage program, focused on college sophomores, to help attract women to work in careers in investments by providing education, mentoring, internships, and a supportive community. Principal Asset Management and Principal Real Estate began supporting this group in 2022 by participating in their summer intensive program by hosting interns over part of the summer to help them explore a career in finance and investment.

### COMMERCIAL REAL ESTATE WOMEN (CREW)

In 2021, Principal Real Estate Executive Director Todd Everett signed the CREW Network's [CRE Pledge for Action](#) to Advance Women and DEI. The pledge supports the advancement of women and other individuals in underrepresented groups based on (but not limited to) race, ethnicity, sexual orientation, ability, religion, or age. Phase I of the pledge is a commitment to the following six goals:



### CRE Pledge for Action Phase I six goals

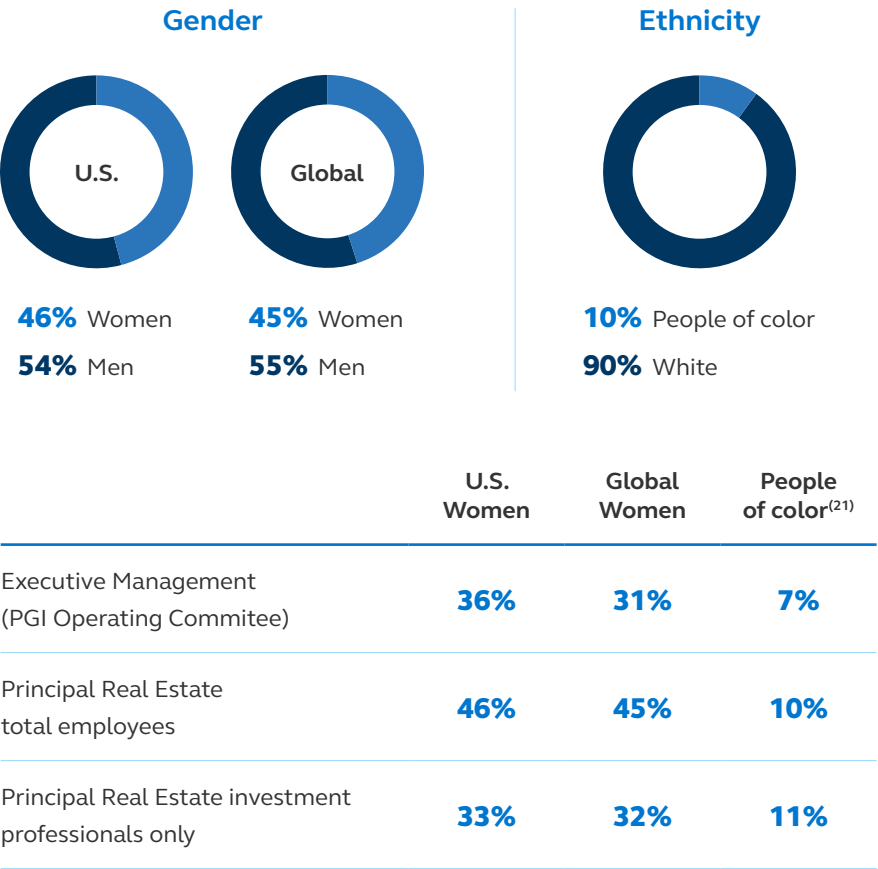
1. Partner with CREW Network to support our mission to transform the industry by advancing women, and begin efforts now to make change.
2. Close the compensation gap in our industry by conducting a pay equity study.
3. Increase inclusion through senior executive sponsorship of women and/or other individuals in underrepresented groups within the company.
4. Advance women to top roles to achieve gender diversity in leadership.
5. Increase diversity through intentional recruiting and hiring of individuals from diverse backgrounds.
6. Implement accountability strategies that measure progress.





# Diversity and inclusion

## PRINCIPAL REAL ESTATE EMPLOYEES



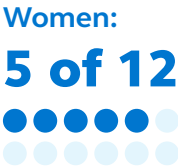
Data as of December 31, 2023 .

To learn about Principal’s global inclusion efforts, compensation and pay equity, supplier diversity, and training practices, please see the [2023 Principal Financial Group Sustainability Report](#).

<sup>(21)</sup> Represents U.S. employees only.

## PRINCIPAL FINANCIAL GROUP BOARD OF DIRECTORS

As of 12/31/2023







## Health and wellness

Principal Real Estate is dedicated to providing buildings that promote building occupant, resident, and visitor well-being. Our Sustainability Guidelines for Health and Wellness outline best practices for providing opportunities for physical activity, accessible healthy food and clean water, quality social connections, and healthy environments. Whenever possible, we develop properties that seek LEED, BREEAM, WELL, Fitwel, or an equivalent certification. At our operational assets, we strive to implement best practices that consider the health, safety, and welfare of building occupants. We require 100% compliance in our annual property inspections, and property teams must develop remedy plans for any observed safety or tenant/resident comfort issues and show positive year-over-year improvement in tenant satisfaction survey responses related to building health and wellness questions.

Each property team considers the following best practices for health and wellness in the building's design and operations.

### Physical Activity

- Provide sidewalks and enticing pedestrian-oriented streetscapes with amenities
- Incorporate fitness facilities or common area multi-purpose rooms
- Provide outdoor space amenities to encourage time outdoors

### Food and Water

- Enhance access to drinking water
- Promote healthy food retail
- Provide hand washing and sanitizing stations

### Environment

- Incorporate biophilic and nature-inspired design
- Effectively control pollutants and particulates through increased filtration and regular maintenance of filters

# Fitwel Champion

Fitwel is a building certification that uses evidence-based design and operational strategies to enhance building environments by addressing a broad range of health behaviors and risks. Each strategy is linked by empirical evidence to at least one of the seven Health Impact categories, which include: increases physical activity, promotes occupant safety, reduces morbidity and absenteeism, supports social equity for vulnerable populations, instills feelings of well-being, impacts community health, and provides healthy food options.

Fitwel strategies are organized into the following 12 sections by scale: location, building access, outdoor spaces, entrances and ground floor, stairwells, indoor environments, workspaces, shared spaces, water supply, food services, vending machines and snack bars, and emergency procedures.

We first became a Fitwel Champion in November 2020. As of 4Q 2023, 14 Principal assets had earned Fitwel certification<sup>(22)</sup>, and another 36 assets are pursuing certification.

## BUILT CERTIFIED:

**2001 Timberloch**

(1-star, Houston)

**2401 Penn**

(1-star, Washington DC)

**601 New Jersey**

(1-star, Washington DC)

**Broadway Tower**

(2-star, Portland)

**Capitol Plaza**

(1-star, Washington DC)

**Park Place 1:**

**3337 Michelson**

(2-stars, Irvine)

**Park Place II:**

**3121 Michelson**

(1-star, Irvine)

**Parkridge Four**

(1-star, Denver)

## DESIGN CERTIFIED:

**1919 Mile High**

(1-star, Denver)

**EDIT**

(1-star, Denver)

**Alta Buena Vista**

(2-star, Alameda)

**Llewellyn**

(1-star, Los Angeles)

**The Montgomery**

(1-star, Dallas)

**Dash Downers Grove**

(1-star, Downers Grove)



<sup>(22)</sup> In order to receive a certification, a fee was paid to Fitwel to be evaluated and for rights to use the certification.



## TENANT ENGAGEMENT

Existing and prospective tenants and residents provide one of the greatest opportunities for reducing energy, water and waste volumes. Specific engagement initiatives include sharing the building's ENERGY STAR score, developing a tenant engagement plan, sharing resources to help tenants save energy and water, and educating tenants about the Pillars of Responsible Property Investing platform.

Each property's approach to continued tenant engagement is unique but often includes building communications, providing tenants with feedback on utility consumption, social media outreach, tenant engagement meetings, tenant satisfaction surveys, tenant sustainability awareness events, tenant sustainability guides, and/or tenant sustainability training.

**Crews Commerce Center**, an industrial park located in Orlando, Florida engages tenants through various tenant events. The property participates in virtual food drives, celebrates Earth Day with e-recycling services, and hosts blood drives for tenants to get involved with. The property team has also held ice cream socials and morning donuts and coffee events to show their tenant appreciation. Crews Commerce communicates sustainability benefits to tenants through regular email communication and during annual physical inspections.

**In der Melm**, a care home located in a family-oriented part of the city in the state of Rhineland-Palatinate, on the River Rhine in Germany, provides a unique service to its tenants and implemented a childcare center at the property. The property team worked together with the tenants on the idea of providing a daycare for the children of the staff that work at the care home in order to promote family-work-life balance. Parents can drop off their children when they begin their work day and then pick them up at the end of the day. The daycare provides flexibility for the tenants and demonstrates the property's commitment to being family-friendly. The daycare 'Baumhaus', which is operated by the tenant, is in high demand and is regularly at capacity. The property team is discussing the possibility of expanding the daycare to accommodate the increasing demand and provide more employees with daily childcare.

**EDIT at River North**, a high-rise multifamily property located in Denver, Colorado consistently finds new and creative ways to engage their residents. Along with Zocalo Community Development, EDIT participates in a non-profit partnership with Warren Village. Warren Village is a Denver-based non-profit that helps low income, single-parent families make the journey to economic self-sufficiency with comprehensive resources that empower parents to change the trajectory of their lives. Through this partnership, residents can participate in multiple volunteer opportunities and donation drives throughout the year. In addition, EDIT works with Best Bees Company to provide a habitat for bees on EDIT's rooftop and promote biodiversity. These locally sourced beehives also provide honey to the residents. EDIT provides various outdoor amenities and spaces for residents to utilize. Residents can enjoy the outdoors on the rooftop deck that includes an outdoor kitchen. The rooftop deck showcases EDIT's exceptional city views and provides a space for residents to relax outdoors. The rooftop also includes a fenced in dog park, Barks and Rec, for residents' furry friends to enjoy.

Crews Commerce Center



In der Melm



EDIT at River North





# Kingsley tenant survey results

**160 properties won the 2023 Kingsley Excellence Award** (154 US properties, 6 Europe properties). This is presented to properties that exceed the Kingsley Index in Overall Satisfaction and must have a 30% response rate.<sup>(23)</sup>

## U.S. RESULTS:

- Overall satisfaction exceeded the Kingsley Index across the Office, Industrial, and Multifamily properties. Retail saw a 0.3% improvement from 2022 in satisfaction.
- Management Satisfaction exceeded the Kingsley Index among Office, Industrial, and Multifamily properties. Retail saw a slight improvement in management satisfaction from 2022.
- Likely renewal improved from 2022 for Office and Multifamily properties. Renewal intentions exceeded the Kingsley Index for Office and Multifamily properties.

## EUROPE RESULTS (OFFICE ASSETS ONLY):

- 78% of tenants indicated they are likely to renew, outperforming the Kingsley Index.
- In addition, 24 properties won the Kingsley Excellence Award 100% Club based on their perfect 2022 and 2023 overall tenant satisfaction scores.

<sup>(23)</sup> In order to receive an award, a fee was paid to Kingsley to be evaluated and for rights to use the award.





# Sustainability initiatives and accomplishments

Environmental | Social | **GOVERNANCE**

## Governance

We maintain strong governance through our structures, policies, data quality, reporting, and risk management. We have standard procedures to analyze our sustainability performance and implement actions for continuous improvement. We also engage our property teams, tenants, and other stakeholders to join us on our sustainability journey.



### GOVERNANCE STRUCTURE

**Principal Financial Group Board:** The Principal Financial Group Board’s Nominating and Governance Committee oversees our corporate environmental and sustainability commitment. The Committee monitors risks and mitigation related to our environmental, sustainability, and corporate governance (ESG) responsibilities.

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

decisions, drive our comprehensive sustainability strategy, and continually engage with stakeholders. This keeps us aligned with internal goals and third-party standards, including those of the U.N. Global Compact, which we joined at the participant level in January 2021, as well as other business groups such as the Business Roundtable and the CEO Action for Diversity and inclusion.

**Principal Asset Management Operating Committee:**

The Principal Asset Management Operating Committee comprises senior leaders within the organization. The group is responsible for oversight of Principal Asset Management, approval of Principal Asset Management policies and procedures, and setting strategy for Principal Asset Management within the overall strategy of Principal Financial Group.

**Principal Asset Management Sustainable Investing**

**Oversight Committee:** The Sustainable Investing Oversight Committee classifies, reviews, approves, and assures implementation of products and strategies Principal Asset Management actively markets in accordance with appropriate sustainable investing definitions. It also reviews alignment of classified products and capabilities on a periodic basis to assure alignment remains appropriate. Additionally, the Committee reviews global policy accord recommendations and regulatory/industry policy submissions and identifies critical risks affecting sustainability support within the firm. The Committee meets at least quarterly.

**Principal Asset Management Sustainable**

**Investment Council:** The objective of the Sustainable Investment Council is to be the connective hub of sustainable investing information in the firm; establish consistency across investment teams; share best practices and provide support to all investment teams; assist investment teams in formulating strategy and reporting; sharpen our sustainable investing stories at the firm and strategy level; and serve as the liaison between Principal Asset Management and the broader Principal organization. The Council meets quarterly.

**Principal Real Estate Strategic Working Group:**

The Principal Real Estate Strategic Working Group is composed of senior decision makers from across the department who approve the strategy and goals for Principal Real Estate including the sustainable investing strategy.

**Principal Real Estate Sustainability Team:** The Managing Director of ESG and Operations works closely with senior management at both the Principal Real Estate and Principal Asset Management levels and regularly reports on Principal Real Estate's performance, progress, and initiatives to the Principal Real Estate Strategic Working Group and PFG Board of Directors. In addition, she participates in the Principal Asset Management Sustainable Investing Council and leads the Principal Real Estate Sustainability Working Groups. In addition, the Sustainability Team includes an ESG Manager and two ESG Analysts. They are responsible for researching industry trends and best practices, managing and analyzing environmental performance data, coordinating sustainability projects at property and portfolio level, creating communications materials and marketing documents, supporting industry reporting, and overseeing certifications management.

**Principal Real Estate Sustainability**

**Working Groups:** The Principal Real Estate Sustainability Working Groups are made up of key representatives from various disciplines across the organization including acquisitions, asset management, operations, underwriting, loan servicing, engineering, sales and marketing, research, and fund management with representation from each of the investment strategies. The purpose of these groups is to set both organizational and investment strategy level priorities and to help drive those through the organization.

**Sustainability Consultants:** We leverage the expertise of third-party sustainability consultants to assist with program strategy, administration and technical support, training, reporting, tool and resources development, site assessments, engineering support, and marketing.



# Data Management

Accurate and timely data on energy, water, waste, and other key metrics provides the foundation for the PRPI sustainable investing platform and is integral to the fiduciary responsibilities of Principal Real Estate. Through the collection, monitoring, benchmarking, and analysis of this information, we can better vet and evaluate opportunities to help enhance the sustainability and financial performance of real estate investments. Our sustainability consultants play a fundamental role in this process by designing, implementing, and managing complete data pipelines.

As instructed in the Sustainability Handbook for Property Managers, property teams are required to input and maintain cost and consumption data on energy, water, and waste utilities in Portfolio Manager. In addition, property managers review and update property, occupancy, and space use characteristics quarterly or at the time of any significant change. Our sustainability consultants collaborate with property management companies and teams on an ongoing basis to ensure that the requirements are met, and additional property-level data is provided monthly via Principal Real Estate’s data management program.

The sustainability consultants’ quality control process flags any data errors or anomalies. After these are resolved, we analyze the data for use in several reports. The utility report displays monthly commodity level consumption values, and in collaboration with property teams we investigate property-level energy, water, and waste performance. The status board report visually conveys each property’s data timelines, utility performance over the past year, and building certification status. The status board is available for property teams to access on a password-protected Principal website and can be used by property teams to benchmark their performance against other Principal properties. The red alert report identifies properties that used more energy in the current year than in the previous year. The consultants and the property team analyze the additional cost associated with higher energy use to determine if the cost was avoidable and if action is needed for improvement. Finally, the quarterly property performance report showcases the PRPI portfolio’s progression towards sustainability goals.

# Borrower sustainability survey

To continually track and improve the energy performance of our assets, we distribute an annual Sustainability Survey to existing borrowers in the first quarter to collect data about the prior calendar year. We track and analyze responses in a centralized database. The survey monitors lender and building sustainability attributes.

# Internal reporting

We communicate sustainability information across our organization through:

- Quarterly Property Performance Reports are provided to fund managers. These detail energy reduction and associated cost savings, GHG emissions, water and waste reduction, and green certifications.
- A quarterly summary is sent to all of Principal Real Estate detailing performance relative to targets, certifications, and key initiatives undertaken in the quarter, and major sustainability news and research.
- Several strategies publish quarterly performance reports that highlight key sustainability data.
- Senior management, including the Executive Managing Director of Global Private Markets, Todd Everett, the Strategic Working Group, the Sustainability Working Groups, and other senior leaders receive regular sustainability performance updates.



## Data coverage progress

as of 4Q 2023

	U.S.	EU
Energy data coverage	63%	79%
Water data coverage	78%	89%
waste data coverage	50%	33%

# External reporting

We communicate sustainability-related information to investors in several ways:

- › The Principal Financial Group Sustainability Report aligns with the Global Reporting Initiative (GRI) standards and Task Force on Climate-Related Financial Disclosures (TCFD), and aligned with the United Nations Sustainable Development Goals (SDGs). This report is available on the Principal [ESG Data Center](#).
- › This Principal Real Estate Sustainability Report, which is aligned with TCFD and the SDGs.
- › Our [Responsible Property Investing website](#), where we publicly disclose our sustainability policies and practices as well as progress updates, thought leadership, and more.
- › Quarterly and annual client financial reporting, where we disclose sustainability information including building certifications and sustainability reporting performance.
- › The annual Principles for Responsible Investment (PRI) survey, CDP reporting, and GRESB-the global benchmark for real estate assets.

# Private Real Estate Risk Management

We use a system of checks and balances to help prevent conflicts of interest and preserve the integrity of our advisory services.

## INVESTMENT OVERSIGHT AND GOVERNANCE

To monitor our fund activities, fund-specific advisory committees are aligned with investor representatives who oversee fund performance. Additionally, our investment committee consists of cross-functional senior members of Principal Real Estate who evaluate investments using environmental, social, and governance variables of investments. Separate account activities are monitored by the portfolio managers in consultation with the client.

## POLICIES AND PROCEDURES COMPLIANCE

Our rigorous standardized procedures and practices help ensure control and compliance with management direction.

### Products

- › Our compliance and Internal Audit and Risk Consulting groups conduct ongoing reviews and audits of investment management services.
- › Third-party experts audit our investment-processing controls and investment vehicles’ financial statements annually.
- › Acquisition, loan origination, and major decisions are governed by investment/management committee.

### Partners

- › We conduct due diligence and underwriting on all potential partners, vendors, and borrowers, including financial checks, reference checks, and Office of Foreign Assets Control verification.
- › Private equity property management partners annually certify their compliance with operational policies, procedures, and requirements.

### Properties

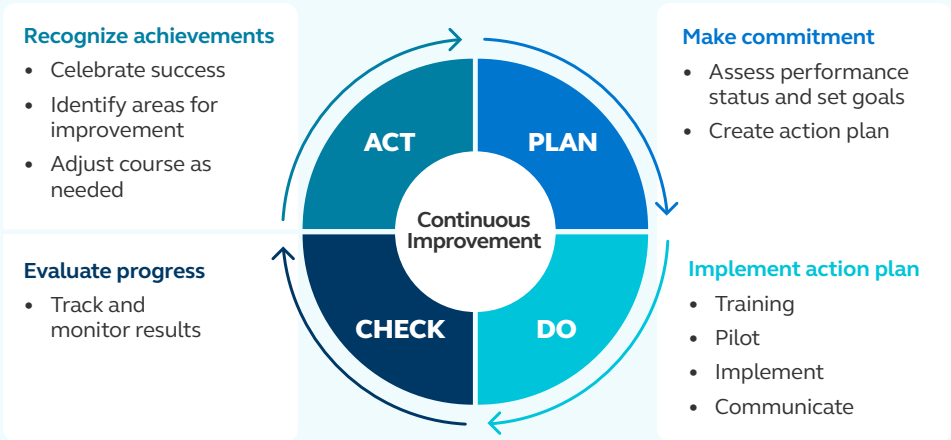
- › We complete on-site property management audits on assets in our private equity portfolio to ensure policy compliance and provide education on best practices.
- › We conduct annual tenant surveys on owned assets to validate quality of service and satisfaction.
- › We complete annual property inspections and financial reviews of the properties securing our loans.



# Sustainability Management System

Our sustainability management system (SMS) is aligned with the ISO 14001 standard which defines an iterative continuous improvement process focused on the characteristic approach of “plan, do, check, and act.” The SMS covers energy, greenhouse gas, water, and waste performance of properties participating in our PRPI initiative. We store all information as part of the SMS on a shared site for proper data management and control.

The continuous improvement process is a **four-step cycle**:



## PLAN

Establish environmental performance objectives as defined in the PRPI and supporting Sustainability Policy and Guidelines.

## DO

Implement environmental performance objectives through our PRPI initiative by which our third-party sustainability consultants work with individual property teams to ensure environmental strategies are met.

## CHECK

Continually measure individual and fund-level property performance through proprietary and third-party data management systems as well as quarterly reports used to identify trends in environmental performance and areas for improvement.

- Maintain an internal property performance Status Board to monitor and communicate performance metrics and deliverables with our property management partners.
- Continually track and monitor energy, water, and waste performance data with the EPA’s ENERGY STAR Portfolio Manager benchmarking tool.
- Acquire annual certification by property management firms to ensure adherence to all policies and procedures including our PRPI platform.
- Annually participate in GRESB reporting and the PRI survey allowing for benchmarking across critical environmental performance, governance, management, and policy.

## ACT

Obtain results from quarterly reports and implement actions to continually improve environmental performance of properties.

## Governance policies

Our Sustainability Policy and supporting Sustainability Guidelines form the foundation of the sustainable investing strategy and set clear expectations for employees, property management partners, and others we do business with.

### SUSTAINABILITY POLICY

The [Sustainability Policy](#) details how we partner with clients and investors to implement sustainability strategies and best practices throughout all phases of the property life cycle:

- › Engage property tenants, residents, and guests to build partnerships and programs that meet the needs of our communities.
- › Promote and advance inclusion, representation, accessibility, and equality in our workplace, our business practices, and in the communities where we operate.
- › Utilize standard building management practices to ensure safe working conditions and consistent treatment of tenants and vendors.
- › Develop property specific plans for achieving environmental targets such as carbon actions plans, ESG property assessments, energy audits, and ESG business plans.
- › Engage real estate Sustainability Working Groups to formulate strategy, monitor progress, and ensure results, and provide accountability and oversight on sustainability program implementation.
- › Disclose sustainability performance through our sustainability report and regular reporting to GRESB, PRI, and CDP, and support Principal Financial Group's alignment with industry frameworks.
- › Pursue building certifications to externally validate sustainability performance and signify commitment to tenants, residents and stakeholders.

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### SUPPORTING SUSTAINABILITY GUIDELINES

- › **Acquisition Due Diligence:** provide detail on how sustainability is 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.
- › **Building Technology and Innovation:** offer a strategic and deliberate approach to investing in smart building technologies that will support the needs of our tenants and investors.
- › **Climate Resilience:** define the types of climate risk assessed, tools utilized, and risk mitigation strategies for Principal staff and our partners to execute.
- › **Data Centers:** outline practices to successfully navigate data centers' unique development, operations, maintenance, security, and energy requirements from a sustainability perspective.
- › **Data Management:** detail expectations for accurate and timely data collection on energy, water, waste, and other key metrics.
- › **Health and Wellness:** outline practices for improved tenant and resident health and wellness by promoting physical activity, providing healthy food and drinking water, creating healthy environments, and fostering social wellbeing.
- › **Emissions Reduction:** detail our definition and boundaries for net zero and provide strategies for emissions reduction by utilizing property level decarbonization plans.
- › **Operations and Management:** outline broad activities required of property management teams to ensure the consistent application and success of sustainability best practices through property operations and management.
- › **Private Debt Origination:** outline the implementation of sustainable investing practices in our lending process through loan origination, due diligence, underwriting, and portfolio monitoring.
- › **Real Estate Development:** provide sustainability best practices 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.
- › **Responsible Contracting:** outline how we define responsible contractors, competitive bidding, and contractors' responsibilities (U.S. only).

## Employee policies

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All employees must complete an annual training and acknowledgment related to our Global Code of Conduct. Every Director and employee of Principal Financial Group is accountable for following the code. To learn more about Principal Financial Group's employee policies and code of conduct, see page 41-43 of the [2023 Principal Financial Group Sustainability Report](#).

## Engagement

### STAKEHOLDER ENGAGEMENT

Stakeholder engagement is a key part of the PRPI initiative. We share our Engagement Toolkit for owned assets with property management teams to provide direction and resources to better involve and inform stakeholders about the PRPI initiative, including:

- › Complying with our health and wellness policy, which provides an overview of our health and wellness goals and healthy building practices for operational assets.
- › Utilizing our green leasing language, which allows us to: pass through energy efficiency-related capital expenses to tenants; require disclosure of tenant utility consumption information for the purposes of whole building benchmarking; require tenants to purchase efficient equipment and fixtures during tenant improvement projects; and install submeters to track tenant space energy consumption.
- › Participating in our enhanced appraisal program by collecting relevant sustainability information detailed in the Appraisal Checklist (such as certification information, energy performance information, and list of high-performance building features) to share with appraisers.
- › Leveraging utility and regional incentives, rebates, and technical resources.
- › Increasing performance certifications such as ENERGY STAR, LEED, BOMA 360, IREM, Fitwel, BREEAM, and other applicable certifications.
- › Developing a tenant, vendor, and community engagement plan.

Additionally, our Borrower Engagement Toolkit details best practices for borrowers to implement sustainability efforts at their properties. This guidance document offers strategies such as data collection and tracking, implementing efficiency initiatives, engaging tenants, improving building-level health and wellness attributes and programs, and communicating progress to external stakeholders.



### COMMUNITY ENGAGEMENT

We seek to engage local stakeholders with activities such as enhancement programs for public spaces, employment creation in local communities, community health and well-being programs, property and tenant support of local charities and community groups, sustainability education programs, outreach events for the community, and partnering with local schools on energy reduction education.



## EMPLOYEE ENGAGEMENT

Finally, our staff regularly receives sustainability training and communication. All employees receive sustainability education upon joining and throughout their career at the firm. This includes quarterly updates on progress towards targets, key initiatives, building certifications, and industry and sustainability trends as well as code of conduct and ethics training, fiduciary due diligence training, governance training videos, and education on Principal-specific sustainability initiatives.

## INDUSTRY ENGAGEMENT

We are committed to working with investors, regulators, industry associations, and other groups to ensure that industry-wide standards reflect a commitment to sustainability performance. In support of this commitment, we participate in several industry associations and align with organizations that seek to improve sustainability performance, including:

- CFA Institute DEI Code (USA & Canada)\*
- Business Roundtable
- CDP\*
- CEO Action for Diversity & Inclusion
- Council of Institutional Investors (CII)\*
- CREFC Sustainability Committee and Transparency Subcommittee
- Department of Energy Better Buildings Alliance
- Department of Energy Commercial Mortgage Energy Factors Working Group
- ENERGY STAR Partner
- Fitwel Champion
- GRESB
- International Corporate Governance Network\*
- Investor Alliance for Human Rights\*
- Life Mortgage and Real Estate Officers Council
- Mortgage Bankers Association
- NCREIF ESG Task Force
- Principles for Responsible Investment\*
- Real Estate Roundtable Sustainability Advisory Committee
- Task Force on Climate-related Financial Disclosures
- UN Global Compact\*
- UN Sustainable Development Goals\*
- Urban Land Institute Responsible Property Investing Committee
- United States Green Building Council

\*Principal Financial Group or Principal Global Investors have made these commitments. By default, the real estate funds managed by Principal Real Estate have also made these commitments.

# Certifications and recognition

## GRESB<sup>(26)</sup>

- The first submission was in 2010; 14 real estate strategies were submitted in 2024.
- Fourteen strategies earned **Green Star Designation**.
- **Five-star rating** earned by the European Core strategy and European Office Strategy
- **Four-star rating** earned by the US Core strategy (ninth consecutive) and US Green Property strategy.



In order to receive a ranking, the Firm paid GRESB an application fee to be evaluated and rights to use the rating.

**Green Building Certifications<sup>(27)</sup>** as of 12/31/2023 show Principal's commitment to verifiable sustainability initiatives:

LEED: <b>71</b>	NGBS: <b>7</b>
BOMA 360: <b>4</b>	WELL: <b>2</b>
IREM: <b>44</b>	BREEAM: <b>18</b>
ENERGY STAR: <b>73</b>	CalGREEN: <b>41</b>
Fitwel: <b>14</b>	

Principal Real Estate has earned **ENERGY STAR: Partner of the Year** each year from 2016-2024;<sup>(24)</sup> and the **Sustained Excellence award** annually from 2018-2024.



**IMT and the U.S. Department of Energy** awarded Principal Real Estate the **Green Lease Leader with Gold Recognition<sup>(25)</sup>** for three consecutive awards: 2017-2019, 2020-2022, and 2023-2025



**Hazard Center Office**



**Helix Office Building**

## U.S. BREEAM Industrial Certification Pilot

We selected five triple-net leased industrial warehouse assets to participate in a BREEAM certification pilot. These assets are leased to tenants who pay utility bills directly, limiting direct access to the building utility data that is often required for green building certifications. BREEAM's Part One Asset Performance certification evaluates installed systems and management practices including HVAC efficiency, lighting, and water-efficient fixtures. This approach is useful for industrial assets and provides a comprehensive view of the building's potential. All five industrial assets achieved BREEAM In-Use certification - four building received Pass ratings and one received a Good rating.

## IREM 2024 People's Choice for Sustainable Property of the Year Award

Hazard Center Office in San Diego, California won the IREM 2024 People's Choice for Sustainable Property of the Year. Everyone from the property manager to the engineering, security, and janitorial teams work together to make the building efficient and sustainable.

## WELL Certification

The European Core Strategy's Helix office building was awarded WELL Core and Shell Gold certification. The building was designed to meet key health and social criteria. The prestigious distinction was awarded through the International WELL Building Institute's WELL Building Standard which is a top-tier building standard focusing on enhancing occupant health and wellness. Helix earned the certification based on seven categories of building performance - Air, Water, Light, Nourishment, Fitness, Comfort, and Mind.

<sup>(24)</sup> The U.S. Environmental Protection Agency (EPA) annually honors organizations that have made outstanding contributions to protecting the environment through energy efficiency, April 2024.

<sup>(25)</sup> IMT and the U.S. Department of Energy's Better Building Alliance awards landlords and tenants who incorporate green leasing to drive high-performance and healthy buildings. [www.greenleaseleaders.com](http://www.greenleaseleaders.com)

<sup>(26)</sup> In order to receive a ranking, the Firm paid GRESB an application fee to be evaluated and rights to use the rating. 2024 Global Real Estate Sustainability Benchmark (GRESB) assessment, data as of 31 December 2023. Awarded to Real Estate entities with a score higher than 50% of the points allocated to the Management and Performance components. Entities with more than 15 points in Management and 35 points in Performance OR 15 points in Management and 35 points in Development will receive the Green Star designation. This rating is based on absolute performance. 4-star rating reflects top 40% worldwide performance.

<sup>(27)</sup> In order to receive a certification, a fee was paid to LEED, BOMA, Fitwel, IREM, and NGBS to be evaluated and for rights to use the certification.

## Task Force on Climate-related Financial Disclosures

The Task Force on Climate-Related Financial Disclosures (TCFD) has developed a framework to help organizations disclose climate-related risks and opportunities for investors. Principal Real Estate's Sustainability Report aligns with TCFD. For more detail on Principal Real Estate's alignment, refer to the [TCFD Disclosures](#).

### GOVERNANCE

#### **Describe the board's oversight of climate-related risks and opportunities.**

The Charter of the Nominating and Governance Committee, a committee of the Principal Financial Group Board of Directors, charges that Committee to "review environmental and corporate social responsibility matters of significance to the Company." This review process includes Principal's performance against specific sustainability metrics, such as greenhouse gas (GHG) emissions reductions, waste diversion, and water consumption. Senior management reports Principal's progress towards its GHG emissions reduction goal twice per year during two of the quarterly Nominating and Governance board of director committee meetings.

#### **Describe management's role in assessing and managing climate-related risks and opportunities.**

Our management is committed to assessing climate-related risk for each asset and managing associated risks by having a robust due diligence process in place for new acquisitions, managing existing properties in accordance with our Sustainability Policy and associated Sustainability Guidelines, and monitoring evolving regulations affecting our assets.

The due diligence process involves conducting physical and transition climate risk assessments of each property considered for acquisition.

In addition to the physical climate risk analysis, our climate risk process involves assessing transition risk by reviewing regulations the property is subject to, such as those that require benchmarking energy use, establish building performance standards, or place limits on greenhouse gas emissions. Any identified regulations are included in the documentation for investment committee approval and communicated to the asset and property management teams.

Property management teams are required to follow the Sustainability Handbook for Property Managers that includes monitoring climate-related risks by benchmarking utilities to calculate GHG emissions and tracking building ordinances, among other requirements as part of our compliance process.

Management has oversight responsibility for sustainability performance through the dedicated Managing Director of ESG and Operations, who leads the portfolio-wide Sustainable Investing efforts. The Managing Director of ESG and Operations at Principal Real Estate reports directly to the Chief Operating Officer of Principal Real Estate, with responsibilities including the environmental management of all real estate assets, overseeing climate risk analysis, and monitoring the climate-related aspects of the real estate portfolio, and identifying property and portfolio-level resilience strategies.



# STRATEGY

<b>Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.</b>	<ul style="list-style-type: none"><li>• Current and emerging local and regional regulation</li><li>• Acute physical damage and disruptions to property operations</li><li>• Chronic physical damage and disruptions to property operations</li><li>• Changing operational parameters</li><li>• Rising utility costs</li><li>• Rising insurance premiums</li><li>• Reputation</li></ul>
<b>Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.</b>	<p>Our investment management practices are a material aspect of our business, strategy, and financial planning. The impacts of climate-related issues are detailed in the risks and opportunities identified above. These climate impacts are considered in the following areas of business strategy and financial planning.</p> <p>Climate Risk Analyses identify higher and lower risks for each property, which enables the organization to prioritize accordingly, and the quarterly performance reporting informs financial planning by providing progress on energy, water, and emissions that affect operating costs and investor sentiment.</p>
<b>Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.</b>	<p>Between 2021 and 2023, all of our open-end discretionary private equity strategies completed portfolio-level climate risk analysis which included reviewing the strategies' current emissions relative to global warming scenarios. Actual emissions data was utilized to the extent available.</p> <p>We are targeting alignment with the 1.5°C scenario with a goal of reducing greenhouse gas emissions to net zero by 2050. The portfolio-level climate risk analysis provides insight into our progress towards these targets and indicates highest-impact assets for targeted reduction initiatives.</p> <p>We regularly benchmark and report on environmental performance of existing assets, including consumption of energy, water, and waste as well as the corresponding GHG emissions produced. We have Climate Prescriptions that are distributed to properties at risk for flooding, heat stress, hurricanes and typhoons, sea level rise, water stress, wildfires, and earthquakes.</p>

# RISK MANAGEMENT

**Describe the organization's processes for identifying and assessing climate-related risks.**

We assess physical and transition climate risk as part of both our due diligence process for new developments and acquisitions and regularly as part of our portfolio-level property review.

**Physical risk**

Physical risks reviewed include flooding, heat stress, hurricanes and typhoons, sea level rise, water stress, wildfires, and earthquakes. Our risk analysis provider reviews these hazards at both the RCP 4.5 and 8.5 scenarios, and on multiple time horizons (current, 2030, 2040, 2050, 2075, and 2100).

**Transition risk**

From a policy and legal perspective, an increasing number of jurisdictions and regional governments are adopting climate action plans, renewable energy portfolio standards, or other environmental regulations targeting greater energy efficiency and reduced carbon emissions associated with commercial buildings. Our climate risk analysis process includes identifying if the property is exposed to specific energy disclosure (benchmarking), audit, or emissions reduction mandates (building emissions performance standards).

**Scenario analysis**

Portfolio level reporting on owned assets covers the same set of physical and transition risks, with the addition of the CRREM model to review the portfolio's transition risk associated with meeting the 1.5°C global warming target.

The portfolio analysis identifies the highest risk assets in the portfolio. The portfolio management team reviews this information and can use it when making future buy/sell decisions.

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**Describe the organization's processes for managing climate-related risks.**

The climate risk summary report is provided to the property team on each new property development and acquisition.

**Physical risk**

For new property developments, the engineer reviews the property design to determine if it properly accounts for the identified high-risk hazards. Design adjustments and/or operational procedures for risk mitigation are implemented as applicable. Changes and recommendations are incorporated into the underwriting and committee approval process as needed. Once the property is operational, the property manager is notified of the property's climate risks and prescribed operational mitigation strategies for each identified risk.

For existing property acquisitions, information on identified high risks is provided to the Property Condition Assessment ("PCA") consultant, who considers the high-risk hazards in their onsite review and provides recommendations for mitigation practices via capital improvements and/or operations practices. These recommendations are reviewed by the engineer and acquisitions team and incorporated into the underwriting and committee approval process as needed. Upon closing, the asset manager and property manager are notified of the property's climate risks and prescribed climate risk mitigation strategies for each identified risk.

**Transition risk**

We have a process in place to identify, assess, and manage the potentially material financial impact of transition risks on the entity's business.

- **Policy and Legal:** Information on transition risk and identified regulatory requirements are provided to the asset manager and property manager. All Principal Real Estate property managers are contractually required to ensure their properties are in compliance with all local rules and regulations, including current and emerging climate-related laws, such as benchmarking regulations.
- **Technology:** We continuously monitor low carbon technology options and their associated costs including solar panels, efficient building systems, and others. Where financially appropriate, we will invest in low carbon technologies.
- **Market:** We monitor market trends and changing customer behavior for low-carbon buildings. In addition to our internal research teams who review industry trends, we also have a third party sustainability expert conduct market research.
- **Reputation:** We recognize that many investors are increasingly looking for low carbon products. Additionally, our internal research teams and third party sustainability expert also conduct research about changes in customer preferences.



**Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.**

In addition to the aforementioned climate risk analysis process, we conduct an annual Catastrophe Analysis on the portfolio, which includes a review of climate-related risks including flash flood, hail, river flood, and tropical cyclone. Additionally, all new acquisitions are reviewed for rising sea level risk by our engineering team. All identified exposure to risk by asset value and potential replacement costs are incorporated into the investment decision-making process and property management decisions if we choose to move forward with the property investment.

**METRICS & TARGETS**

**Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.**

- Greenhouse gas emissions reduction: 40% (net zero by 2050)
- Energy reduction: 20%<sup>(28)</sup>
- Water reduction: 20%<sup>(28)</sup>
- Waste diversion: 20%
- Data coverage: 50%
- Renewable energy: 20% of energy use
- Building certifications: 50% of total portfolio assets<sup>(29)</sup>

**Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions and the related risks.**

We are in the process of conducting a comprehensive GHG emissions inventory that will disclose Scope 1, Scope 2 and, if appropriate, Scope 3 emissions. To establish an interim baseline, we used the ENERGY STAR Portfolio Manager process for calculating market-based emissions based on energy consumption, and the total for real estate strategies participating in the PRPI platform was 313,506 Metric Tons CO2e in 2019 and 2020 combined.<sup>(30)</sup> This is primarily made up of common area consumption with tenant area consumption included where available.

**Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.**

In addition to the new targets outlined above, we aligned with the Principal Financial Group target of net zero by 2050 using a 2019 baseline.

<sup>(28)</sup> Principal Real Estate's Energy and Water Reduction Goals are measured using energy/water intensity, defined as energy/water per square foot. It's calculated by dividing the total energy/water by the gross floor area of the building.

<sup>(29)</sup> Building certifications include new development and operational asset certifications. Multifamily, office, retail, and industrial property types only. As real estate strategies expand into other property types, inclusion in this goal will be determined by applicability of building certifications to the property type.

<sup>(30)</sup> 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.

# UN Sustainable Development Goals

The below reflects our policies and actions in alignment with the SDGs. For information on Principal Financial Group's SDG alignment including but not limited to human rights, equal opportunities, pay equity, financial inclusion, educational assistance, and community development, refer to the [2023 Principal Financial Group Sustainability Report](#). For additional detail on Principal Real Estate's SDG alignment refer to the [United Nations Sustainable Development Goals disclosure](#).



## ACCESS TO ECONOMIC RESOURCES

**Investment in Affordable Housing:** We invest directly in affordable housing (single-family, multifamily, and manufactured housing) and acquire and manage low-income housing tax credits (LIHTC) to foster affordable housing opportunities.

## INCREASE RESILIENCE AGAINST CLIMATE-RELATED EXTREME EVENTS

**Climate Risk Analysis:** As part of our acquisitions and development process, we analyze the site's risk from exposure to seven major climate risks (flooding, heat stress, hurricanes and typhoons, sea level rise, water stress, wildfires, and earthquakes).



## MENTAL HEALTH AND WELLBEING

**Fitwel Champion:** Fitwel is a building certification that uses evidence-based design and operational strategies to enhance building environments by addressing a broad range of health behaviors and risks. Each strategy is linked by empirical evidence to at least one of the seven Health Impact Categories.

**Sustainability Guidelines for Health and Wellness:** As part of our overarching Sustainability Policy, we have a Sustainability Guideline for Health and Wellness that conveys our commitment to designing, constructing, and overseeing capital and tenant improvements with the health, safety, and welfare of building occupants in mind.

## AIR AND WATER CONTAMINATION

**Sustainability Guidelines for Real Estate Development:** During all stages of the development process, our partners, developers, and service providers are responsible for protecting air and water quality and local ecosystems by managing potential construction pollutants. Once the property is operational, indoor air quality must be monitored and managed.

**Due Diligence Checklist:** Our standard due diligence checklist for private equity assets includes radon testing for properties in areas of high radon levels.



## ACCESS TO EDUCATION

**Principal Real Estate College Scholarship:** We have established a scholarship program for students who are members of a minority group, are veterans, have a disability, or have financial need.

## TECHNICAL AND VOCATIONAL SKILLS

**Internships :** We support internship program provides interns with exposure to many areas of Commercial Real Estate.



## PROMOTE GENDER EQUALITY

**Women in Real Estate:** To help attract, retain, and advance women in the organization, in 2016, Principal Real Estate established Women in Real Estate (WIRE).

**Sponsorship of Commercial Real Estate Women (CREW) Network:** We support both the Iowa chapter of CREW and employees' membership expenses for involvement in the organization.





## WATER QUALITY

**Sustainability Guidelines for Real Estate Development:** During all stages of the development process, our partners, developers, and service providers are responsible for protecting air and water quality and local ecosystems by managing potential construction pollutants.

## WATER USE EFFICIENCY

**Environmental Targets:** Our targets seek to reduce water use intensity 20% by 2035 (over a 2019 baseline).

## WATER SCARCITY

**Climate Prescriptions:** Climate Prescriptions are resources that detail property-level resilience strategies to combat material climate risks identified throughout the portfolio. A prescription specific to water scarcity is shared with property managers of properties with identified impact to educate about the specific risks and best practices for managing the risks.



## ENERGY EFFICIENCY

**Environmental Targets:** Our targets seek to reduce energy use intensity 20% by 2035 (over a 2019 baseline).

**Carbon Action Plans:** In support of our goal to reduce GHG emissions 40% by 2035 and achieve net zero by 2050, property-specific decarbonization plans are being developed..

## RENEWABLE ENERGY

**Environmental Targets:** We seek to source 20% of energy use from renewable sources – either on-site or off-site.

**Solar Energy Investments:** At our properties nationwide, we are pursuing solar opportunities by installing solar panels directly or leasing roof space for solar panels.



## GLOBAL RESOURCE EFFICIENCY

**Sustainability Guidelines for Real Estate Development:** Our Sustainability Policy is supported by Sustainability Guidelines. The guidelines for development detail best practices for material use reduction.

## YOUTH EMPLOYMENT

**Internships:** Our internship program provides interns with exposure to many areas of Commercial Real Estate.

## COMMUNITY IMPACT

**Community Impact Measurement:** One of the five pillars of the PRPI platform is Community Impact. Key Performance Indicators (KPIs) within this pillar include measuring jobs created, investment in community, use of union labor, donations and volunteer activities, affordable and workforce housing units, on-site community space available to the public, and contracting with local, minority, veteran, and woman-owned vendors and contractors.

## FINANCIAL MARKET MONITORING

**Reporting:** We communicate sustainability-related information to investors in several ways:

- The Principal Financial Group Sustainability Report
- This Principal Real Estate Sustainability Report
- Our [Responsible Property Investing website](#)
- Quarterly and annual client financial reporting
- The annual Principles for Responsible Investment (PRI) survey, CDP reporting, and GRESB-the global benchmark for real estate assets



## AFFORDABLE HOUSING

**Low-Income Housing Tax Credits:** We invest in affordable housing properties that have been allocated low-income housing tax credits on behalf of Principal Life Insurance Company.

**Middle-Income Housing Strategy:** To address the need for affordable housing across the U.S., we are committed to investing in a middle-income housing strategy, targeting multifamily properties with rental rates that enable the community to live sustainably within their means.

**Irish Social Housing:** The Principal Eurozone Durable Income Strategy owns an Irish social housing portfolio comprised of 55 homes. The homes are leased to Dublin's local authorities on 25-year terms.

## MONITORING FINANCIAL MARKETS

**Principal Real Estate Reporting:** We communicate sustainability-related information to investors in several ways:

- The Principal Financial Group Sustainability Report
- This Principal Real Estate Sustainability Report
- Our [Responsible Property Investing website](#), where we publicly disclose our sustainability policies and practices as well as progress updates, [thought leadership](#), and more.
- Quarterly and annual client financial reporting
- The annual Principles for Responsible Investment (PRI) survey, CDP reporting, and GRESB-the global benchmark for real estate assets



## AFFORDABLE HOUSING

**Low-Income Housing Tax Credits:** We invest in affordable housing properties that have been allocated low-income housing tax credits on behalf of Principal Life Insurance Company.

**Middle-Income Housing Strategy:** To address the need for affordable housing across the U.S., we are committed to investing in a middle-income housing strategy, targeting multifamily properties with rental rates that enable the community to live sustainably within their means.

**Irish Social Housing:** The Principal Eurozone Durable Income Strategy owns an Irish social housing portfolio comprised of 55 homes. The homes are leased to Dublin's local authorities on 25-year terms.

## RESILIENCE AGAINST NATURAL DISASTERS

**Climate Risk Analysis:** As part of our acquisitions and development process, we analyze the site's risk from exposure to seven major climate risks (flooding, heat stress, hurricanes and typhoons, sea level rise, water stress, wildfires, and earthquakes).

**Climate Prescriptions:** Climate Prescriptions are resources that detail property-level resilience strategies to combat material climate risks identified throughout the portfolio.

**Catastrophe Analysis:** We conduct an annual Catastrophe Analysis on the portfolio as part of the insurance process, as there are increased operating costs associated with climate disasters, such as costs to fix water leaks or building damage as a result of natural disasters.

## WASTE MANAGEMENT

**Environmental Targets:** Over a 2019 baseline, we seek to achieve a waste diversion of 20% by 2035.



## WASTE AND RECYCLING

**Waste Management:** Waste management is a core performance metric and property teams are required to enter energy, water, waste, and other key metrics in ENERGY STAR Portfolio Manager. To foster responsible consumption, individual properties have implemented green purchasing policies for office supplies, durable office goods, and cleaning and hygiene products and services.

## SUSTAINABILITY REPORTS

**Principal Real Estate Sustainability Report:** [Principal Real Estate's Sustainability report](#) is available on the Responsible Property Investing website.

**Reporting:** We communicate sustainability-related information to investors in several ways:

- The Principal Financial Group Sustainability Report
- This Principal Real Estate Sustainability Report
- Our [Responsible Property Investing website](#)
- Quarterly and annual client financial reporting
- The annual Principles for Responsible Investment (PRI) survey, CDP reporting, and GRESB-the global benchmark for real estate assets

## SUSTAINABILITY EDUCATION

**Employee Sustainability Training:** Our staff regularly receive sustainability training and communication. All employees receive sustainability education upon joining and throughout their career at the firm.

**External Education:** Our partners and property managers participate in trainings on key sustainability topics and our expectations for sustainability performance. Further, the Managing Director of ESG and Operations and the ESG analyst present on climate risk and mitigation at conferences and as requested by investors, partners, Principal employees, and other interested parties; and thought leadership on relevant sustainability topics are researched and published for public consumption.



## CLIMATE RESILIENCE

**Climate Risk Analysis:** We assess physical and transition climate risk as part of both our due diligence process for new developments and acquisitions and regularly as part of our portfolio-level property review. Physical risks reviewed include flooding, heat stress, hurricanes and typhoons, sea level rise, water stress, wildfires, and earthquakes. Our climate risk analysis process includes identifying if the property is exposed to specific energy disclosure (benchmarking), audit, or emissions reduction mandates (building emissions performance standards).

**Climate Prescriptions:** Climate Prescriptions are resources that detail property-level resilience strategies to combat material climate risks identified throughout the portfolio.

## GREENHOUSE GAS EMISSIONS

**Environmental Targets:** Our targets seek to reduce GHG emissions 40% by 2035 and reach net zero by 2050 (over a 2019 baseline).

**Decarbonization Plans:** In support of our goal to reduce GHG emissions 40% by 2035 and achieve net zero by 2050, property-specific decarbonization plans are being developed.

## CLIMATE CHANGE EDUCATION

**Education on Climate Change Impact and Mitigation:** With the rollout of climate risk analysis for all Principal Real Estate Private Equity transactions, employees have received training on the impacts of climate change and mitigation strategies.



## PARTNERSHIPS

**Industry engagement:** We are committed to working with investors, regulators, industry associations, and other groups to ensure that industry-wide standards reflect a commitment to sustainability performance. In support of this commitment, we participate in several industry associations and align with organizations that seek to improve sustainability performance.



## Additional resources and contact information

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### PRINCIPAL REAL ESTATE

<https://www.principalam.com/investment-strategies/real-estate/responsible-property-investing>

#### Principal Real Estate Sustainability Policy

<https://www.principalam.com/investment-strategies/real-estate/responsible-property-investing>

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### PRINCIPAL ASSET MANAGEMENT

#### Responsible Investing website

<https://www.principalam.com/about-us/esg>

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### PRINCIPAL FINANCIAL GROUP

#### Sustainability website

<https://www.principal.com/sustainability>

#### ESG Data Center

<https://www.principal.com/sustainability/esg-data-center>

#### 2023 Sustainability Report:

<https://secure02.principal.com/publicvsupply/GetFile?fm=EE12590&ty=VOP>

## For additional information or to learn more, please contact:

### JENNIFER MCCONKEY

Managing Director of ESG and Operations  
[mcconkey.jennifer@principal.com](mailto:mcconkey.jennifer@principal.com)

### JULIA GROENEWOLD

ESG Manager  
[groenewold.julia@principal.com](mailto:groenewold.julia@principal.com)

### MADELINE O'DONNELL

Senior ESG Analyst  
[o'donnell.madeline@principal.com](mailto:o'donnell.madeline@principal.com)

### KELSEY GEHRKE

Operations Data & Reporting Analyst  
[gehrke.kelsey@principal.com](mailto:gehrke.kelsey@principal.com)

## Risk Considerations

Past performance does not guarantee future results. Investing involves risk, including possible loss of principal. Potential investors should be aware of the risks inherent to owning and investing in real estate, including: value fluctuations, capital market pricing volatility, liquidity risks, leverage, credit risk, occupancy risk and legal risk. All these risks can lead to a decline in the value of the real estate, a decline in the income produced by the real estate and declines in the value or total loss in value of securities derived from investments in real estate.

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