Task Force on Climate-Related Financial Disclosures Report 2020

GOVERNANCE

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

Board oversight of climate-related risks and opportunities

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

B. Describe management's role in assessing and managing climate related risks and opportunities.

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

The Chief Marketing Officer (CMO) is a direct report to the Chief Executive Officer of Principal Financial Group. The CMO oversees the development of Principal's sustainability strategy based on market analysis and audience insights, and manages the communications on sustainability strategies and performance. The associated responsibilities include: overseeing market research on sustainability strategies, coordinating with other companies' executives in creating alignment on sustainability strategy and plans, delivering the messages to help employees understand the importance of sustainability, and overseeing the publishing of Principal's Annual Corporate Social Responsibility Report (CSR), which highlights Principal's sustainability effort and performance against the goals.
The Senior Director of Operations and Sustainability at Principal Real Estate Investors reports directly to the Chief Operating Officer of Principal Real Estate Investors. The Senior Director of Operations and Sustainability oversees the environmental management of all real estate investments and is responsible for ensuring that the climate-related aspects of the real estate portfolio are best-in-class. Specific responsibilities of this role include the oversight of quarterly monitoring and performance reporting of climate-related metrics for energy, greenhouse gas, water, and waste consumption/production; conducting climate risk assessments; and identifying property and portfolio-level resilience strategies. The Senior Director of Operations and Sustainability is also in charge of implementing our Responsible Property Investing Policy, which guides our approach to real estate investment and management and states that appropriate consideration of environmental, social, and governance issues is integral to our fiduciary responsibility and critical in delivering superior risk adjusted returns.

Principal Real Estate Investors monitors climate-related issues in the portfolio by incorporating climate-related considerations into the following processes. Once climate-related issues are identified, they are incorporated into the business and operating plan for the asset.

- Due diligence – Evaluate ESG aspects in due diligence activities of new acquisitions and loans, including physical and transition climate risk analysis, utility performance, quality of building systems, resilience, transportation options, health and wellbeing aspects, and socio-economic factors.
- Disaster analysis – Conduct an annual disaster analysis for all standing real estate investments. The analysis includes a review of the risk of natural disasters including flooding, earthquakes, hurricanes, and severe convective storms.
- Insurance – The disaster analysis mentioned above is also used to inform the appropriate level of insurance needed for properties. The insurance process also includes a review of sea level rise risk. All insurance information is then used to inform risk management processes for the asset.

• Climate risk pilot for select funds – Completed a climate risk pilot to build organizational knowledge about climate risk and understand portfolio-wide risk level. Once the pilot was completed, Principal created and distributed educational materials about each physical climate risk to property managers whose properties were flagged as high risk for specific physical climate risks. This enabled the property managers to learn about ways to mitigate against the climate risk at their property.

STRATEGY

A. Describe the climate related risks and opportunities the organization has identified over the short, medium, and long term.

Climate related risks and opportunities the organization has identified over the short, medium, and long term.

Short Term:
Principal Real Estate Investors owns real estate assets in jurisdictions with mandatory regulatory energy benchmarking and performance disclosure laws. New benchmarking and disclosure laws are created each year as a way to monitor and reduce greenhouse gas emissions at a city or county level. Examples of these regulations include but are not limited to New York City's Benchmarking Law LL84, the Cambridge Building Energy Use Disclosure Ordinance No. 1360, and California AB 802.

Principal Real Estate Investors has more than 121 million square feet under management. The opportunity for Principal Real Estate Investors is to more efficiently manage client-owned properties to reduce portfolio carbon footprints and overall environmental impact. These activities can lead to lower operating expenses for our tenants, enhance leasing activity and asset value, increase tenant satisfaction and fee revenue by retaining existing clients and attracting new clients along with overall better investment performance.

Long Term:
Inherent risks associated with changes in regulations, such as more restrictive measures on emissions from coal-fired power plants (which provide a majority of the electricity in Iowa, the location of our global headquarters campus) or other emission sources such as natural gas burned on site, could result in increased energy costs which would impact Principal's financial performance.

Climate change may lead to an increase in the frequency and severity of natural disasters, such as changes in precipitation extremes and droughts. Principal Real Estate Investors owns real estate assets in locations that may be susceptible to climate-related physical damage including hurricanes and floods. All PREI owned assets in the coastal areas of Florida, as well as assets in New York city are examples of facilities that are susceptible to increases in hurricanes and floods.

Inherent opportunities associated with changes in regulations, such as more restrictive measures on emissions from coal-fired power plants (which provide a majority of the electricity in Iowa, the location of our global headquarters campus) or other emission sources such as natural gas burned on site, provides Principal with opportunities to engage one of our utility providers, MidAmerican Energy, to promote the installation of renewable energy generation infrastructures. MidAmerican Energy's GreenAdvantage® program allows Iowa customers to claim a verified renewable energy amount to help them reach their sustainability goals.

Additional Comments:

Current regulation	Relevant, always included	As part of the new property development and acquisition due diligence processes, a thorough review of current benchmarking and disclosure regulations is completed. Several databases are utilized to identify regulatory requirements that impact the property, and this information is shared with the asset manager and property manager to ensure compliance with requirements. On the existing asset portfolio, Principal Real Estate Investors continually monitors

		building energy use benchmarking and disclosure laws along with local building codes, to ensure compliance with current regulations. Examples of this regulation include but are not limited to New York City's Benchmarking Law LL84, the Cambridge Building Energy Use Disclosure Ordinance No. 1360, and California AB 802. Many jurisdictions have implemented building benchmarking and building code laws as a way to monitor and reduce climate-related environmental impacts, and Principal properties are currently affected by these laws. Principal employs third party consultants as well as an in-house engineering staff to ensure properties monitor and comply with such laws.
Emerging regulation	Relevant, always included	Principal Real Estate Investors recognizes many jurisdictions are implementing new building benchmarking and building code laws as a way to monitor and reduce climate-related environmental impacts. Therefore, Principal employs third party consultants as well as an in-house engineering staff to ensure properties monitor and comply with any emerging laws. As part of the new property development and acquisitions due diligence processes, Principal Real Estate Investors uses a third party climate risk data provider to analyze property carbon emissions relative to current and anticipated regulations. This analysis is used to determine the level of emission reduction required at the property to meet regulatory requirements. The asset manager and property manager are provided this information to ensure ongoing operational compliance and proactive steps to meet future requirements. All Principal Real Estate Investors 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, benchmarking regulations, and regional emerging reporting obligations. An example of climate related risks from emerging regulation, is monitoring the Sustainable Finance Disclosure Requirement (SFDR).
Technology	Relevant, always included	Principal Real Estate Investors created a "Building Technology and Innovations" policy to guide the incorporation of new building technologies into real estate assets (it can be found online here: https://www.principalglob.... This policy is part of our overarching ESG policies and creates a standardized process by which new technologies are assessed and ensures that they are properly analyzed and appropriately implemented at the property level. This policy and associated decision-making strategy can be leveraged for technologies that increase operational efficiencies, thereby reducing greenhouse gas emissions and reducing climate-related risks. An example of climate-related risks from technology that apply to Principal's asset ownership business is the installation of a cool roof for one of our retail assets.
Legal	Relevant, always included	Principal Real Estate Investors utilizes multiple resources, internally and externally, to ensure 100% compliance for all local, state, and federal compliance legislation. A legal fine or judgement for being non-compliant with laws is seen as negatively impacting the value of the portfolio. An example of a legal risk is a fine or judgement for a property not adhering to an energy benchmarking or audit requirement, such as the laws in New York city, or Cambridge, MA. This legal consideration is included as part of the asset's review process, and is included as part of the management strategy for the asset.
Market	Relevant, always included	Principal Real Estate Investors monitors market risks by tracking the presence of low-carbon products in the portfolio including, BOMA 360, LEED, IREM, BREEAM, and ENERGY STAR certified properties in addition to tracking and monitoring asset-

		level energy, water, and waste consumption. Additionally, we use third-party consultants to track market trends including shifts in supply and demand for low carbon real estate. As part of the PRPI initiative, Principal Real Estate Investors seeks to certify as many properties as possible as a low-carbon building. An example of managing this risk is by maintaining products that are meeting the demand for investments in properties with sustainability-related certifications. In 2020, there were 124 sustainability-certified (BOMA 360, BREEAM, LEED, IREM, and/or ENERGY STAR) properties in Principal Real Estate Investors' portfolio.
Reputation	Relevant, always included	Principal Real Estate Investors continually monitors reputation through annual tenant and resident surveys conducted by a third-party expert, Kingsley Associates. These surveys offer tenants and residents from all operational real estate assets to provide feedback regarding building operations, service, and other aspects of management. Tenants are also asked about sustainability practices at the property, Principal Real Estate Investors uses these responses to further gauge sustainability reputation (which can be climate-risk related) at each property in their portfolio. An example of climate-related reputation risk is how property teams use both survey results in marketing efforts to attract potential tenants and/or residents.
Acute physical	Relevant, always included	Principal Real Estate Investors recognizes that climate change may lead to an increase in the frequency and severity of natural disasters. Examples of acute physical risks include heat waves and floods. Principal Real Estate Investors owns real estate assets in locations that may be susceptible to climate-related physical damage or disruptions to property operations as a result of natural disasters. In order to address acute physical risks posed to the portfolio, Principal's climate risk strategy identifies asset level climate risks during due diligence and weaves climate risk analysis throughout the acquisitions process. Physical risks reviewed include sea level rise, flooding, tropical cyclones, extreme heat, and extreme cold. The Property Condition Assessment ("PCA") consultant includes evaluation of the property's 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 acquisitions team and engineer, 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.
Chronic physical	Relevant, always included	Principal Real Estate Investors recognizes that climate change may lead to an ongoing increase in the frequency and severity of natural disasters. Examples of chronic physical risks include drought and rising sea levels. Principal Real Estate Investors owns real estate assets in locations that may be susceptible to chronic physical damage or disruptions to property operations as a result of ongoing climate pattern changes. To stay abreast of this risk, Principal Real Estate Investors continually monitors the chronic physical condition of portfolio properties. Principal's climate risk strategy identifies asset level climate risks during due diligence and weaves climate risk analysis throughout the acquisitions process. As part of each new development project and property acquisition, we review physical and transition risks through a third-party climate risk data provider. Physical risks reviewed include sea level rise, flooding, tropical cyclones, extreme heat, and extreme cold. The Property Condition Assessment ("PCA") consultant includes evaluation of the property's 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 acquisitions team and engineer,

		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.

B. Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.

Impact of risks and opportunities on business, strategy and financial planning

Business Impact:

In 2018, Principal Real Estate Investors commissioned a holistic portfolio climate risk analysis pilot, which included a scenario analysis study on one of its real estate funds. The RCP 4.5 model was selected, based on the recommendation from a third-party consultant. All inputs, assumptions, and methods were chosen by the third-party consultant. Although long term time horizons, 15+ years, were considered for this pilot, Principal Real Estate Investors were most interested in learning more about the short term (5-10 years) impacts of climate change on the portfolio. Principal Real Estate Investors knew general climate-related risks could potentially threaten Principal's properties and operations, such as storm and wildfire risk. With this pilot, we aimed to further refine and screen individual risks by type for each specific property, gaining greater granularity on hazards most material to the fund and inform portfolio asset allocation going forward. The results of this pilot were utilized to inform management practices, potential policy changes, risk transparency reporting, and other risk mitigation actions based on the types of climate risk exposures identified. Findings were also reviewed and evaluated for their materiality given the portfolio investment time horizon and asset allocation strategy. As a result of the climate-related risk assessment, Principal Real Estate Investors completed the following items: Added asset-level climate risk information into the underwriting process for all new acquisitions to include the review of property sustainability programs and policies, occupant amenities, high performance equipment, and climate risk and resilience features. Our due diligence of new acquisitions now includes the formal review of a broad spectrum of ESG risks and opportunities such as overall building performance and energy efficiency, physical and transitional climate risk analysis, viability of green certifications like LEED, BREEAM, and ENERGY STAR, indoor environmental quality, occupant health and safety, toxic materials, environmental assessments, compliance with accessibility regulations, tenant satisfaction, walkability score and more depending on the specific property.

Building off the above-mentioned climate-risk pilots conducted in 2018 and 2019, in 2020, Principal Real Estate Investors has implemented a climate risk strategy that identifies asset level climate risks during the due diligence process and weaves climate risk analysis throughout the acquisitions process. A third-party climate risk data provider is engaged to analyze the property's risk levels for physical and transitional risk. Physical risks reviewed include sea level rise, flooding, tropical cyclones, extreme heat, and extreme cold. This information is then incorporated into the Property Condition Assessment, underwriting, and Investment Committee sheets. Finally, once the deal has closed, Principal distributes Climate Prescriptions, which are resources that detail property-level resilience strategies to combat material climate risks, to all affected property management teams.

Below is an example of the strategies developed based on the results of the scenario analysis –

For a property in Lawrenceville, GA, in regards to flooding and storms risks identified, our team developed and implemented multiple strategies to minimize the potential impact - We established regular backflow testing to make sure our pipes and storm water drains are clear, and established regular generator testing to make sure the power in the building would be restored in the event of an outage. Additionally, a variety of communication platforms were developed to notify building occupants of the natural disaster and provide safety instructions.

Strategy Impact:

Products and services	The demand for green and sustainable real estate has enabled a continuous focus on the climate-related business strategy for the products offered by Principal Real Estate Investors. The impact of the development and expansion of low emission goods and services Principal Real Estate Investors has realized more than $64 million in energy costs avoided, thereby increasing asset value. The climate-related impacts on business strategy for products and services span across the short, medium, and long term time horizons. Principal Real Estate Investors has avoided non-compliance fees with jurisdictional bench marking and disclosure laws along with building code regulations. Additionally, Principal Real Estate Investors has identified additional opportunities to reduce operational utility expenditures at the property level via efficiency improvement projects and review of energy procurement contracts
Supply chain and/or value chain	Principal Real Estate Investors considers third party property managers to be part of supply chain engagement. Principal ensures the clarity of its engagement with property managers by ensuring all ESG requirements are included in contractual requirements, and clear policies are in place to guide their ESG efforts (including sustainable procurement guidelines). To monitor progress and provide feedback, property teams are scored in a transparent online setting against their performance on ESG metrics, additionally property teams receive an annual audit and must participate in an annual compliance certification to ensure sustainability requirements are being met. The climate-related impacts on business strategy across the value chain apply primarily to the short and medium term time horizons
Investment in R&D	Due in part to the impact of identified climate-related risks and opportunities, Principal Real Estate Investors has created the Pillars of Responsible Property Investing (PRPI) program which takes into account adaptation and mitigation strategies during all aspects of the real estate life cycle from acquisition, to operation, to disposition. During the acquisition process, our due diligence process requires review of climate change adaptation and mitigation procedures including review of floodplain maps, presence of retaining walls, hazard analyses (including wildfire and other climate-related risks), and energy and water supply to the property (which is important for climate-related resource scarcity events). Additionally, the due diligence process includes the following climate-risk and resilience factors: utility performance, physical and transition climate risk analysis, green certifications, sustainability programs and policies, occupant amenities, socio-economic factors and asset-level climate risk review. The climate-related impacts on Investment in R&D span across the short, medium, and long term time horizons. In operations, property teams are required to produce business continuity and disaster preparedness plans to ensure operation of the property in climate-related disasters. Principal Real Estate Investors commissions an annual catastrophe analysis report from Risk Placement Services which identifies the probability of property-level climate threats for all portfolio properties. In 2020, Principal's climate risk strategy identifies additional asset level climate risks (physical and transitional) during due diligence and weaves climate risk analysis throughout the acquisitions process. A third-party climate risk data provider is engaged to analyze the property's risk levels for applicable risks.
Operations	In 2020, after achieving the 2010-2020 carbon reduction goal, Principal developed a new carbon reduction goal for the organization, which focuses primarily on Scope 1 and Scope 2 market-based emissions from Principal's operations. This new goal was developed using

	guidance from the Science-Based Target Initiative. The goal covers a long term, 16-year outlook. This new goal has impacted Principal's operational strategy by identifying and prioritizing energy efficiency and energy conservation projects that have the ability to reduce energy consumption, and therefore reduce carbon emissions. One example of these energy conservation projects is replacing existing fluorescent strip lights and wall sconces located in a tunnel in Principal's Des Moines campus with LED fixtures. This project has the potential to reduce GHG missions by 27 mtCO2e annually.

Financial planning impact:

Indirect costs Acquisitions and divestments Assets	Principal Real Estate Investors incorporates climate risk into the standard due diligence process for real estate acquisitions to further understand a property's susceptibility to natural disaster as well as ensuring utility supply. The key information from the risk analysis will be incorporated into the annual business plan for the assets. For example, ESG aspects are evaluated during the due diligence stage for all new acquisitions and loans, items reviewed include utility performance, quality of building systems, resilience, transportation options, health and wellbeing aspects, and socio-economic factors. Additionally, disaster analysis is conducted for all standing real estate investments. The analysis includes a review of the risk of natural disasters including flooding, earthquakes, hurricanes, and severe convective storms. The disaster analysis mentioned above is also used to inform the appropriate level of insurance needed for properties. The insurance process also includes a review of sea level rise risk. All insurance information is then used to inform risk management processes for the asset. A case study of how disaster analysis affect financial planning is the project at one of PREI's facilities located in Parsippany, NJ. After major storm and flooding risks were identified, the team increased operational budget for the site to implement weekly roof inspections to review and clean all roof drains, weekly inspection of parking lot storm drains, and weekly generator test to prepare for major storms and flooding.

C. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

In 2020, we undertook the first climate risk scenario analysis on our properties under management and in 2021 we are expanding processes and procedures to implement climate risk scenario analysis for both physical and transitional risk at the enterprise level for a 2°C or lower scenario.

RISK MANAGEMENT

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

Identifying and Assessing Climate Related Risks

Principal has a comprehensive energy and sustainability (E&S) management team as well as Business Continuity (BC) and Operational Risk programs to identify risks and opportunities from changes in regulation, physical climate parameters and other climate-related developments.

i) How risks are assessed at company level – The E&S management team actively monitors changes in regulation and works with Principal's Corporate Relations team to manage communications to employees, associates and those that work for Principal in order to help promote a company that is environmentally responsible. For risks and opportunities related to physical climate parameters, the BC team provides oversight and coordination for BC activities throughout the company. Each business area is required to collaborate with the BC team to develop a BC plan. The BC plans are designed to ensure that the Company is able to resume operations within a specified time frame. For Operational Risks, each Chief Risk Officer (CRO) for their respective area are required to complete Risk and Control Self Assessment reviews for risk applicable to their business areas. The risk assessments focus on operation risks and also include emerging risks.

ii) How risks are assessed at asset level – Principal's Corporate Relations team develops targeted communications to specific regions and/or assets. For risks tied to physical climate parameters, Principal assesses the specific risks based on the type of potential disaster in the region or location of each individual office location, as well as if the location provides services/functions that were deemed critical (need of recovery with 72 hours or less). Principal mitigates these risks by looking at opportunities, e.g. alternate work site, working remotely from home and/or shifting work to other non-impacted office locations.

Principal prioritizes the following factors with regards to climate change risks and opportunities: adhering to applicable rules and regulations is our highest priority, followed by contractual agreements with our customers, service level agreements with our suppliers and finally, other business unit dependencies. Risks that are identified as having an estimated annual loss of $1,000,000 USD or more are considered to have a substantive financial impact and are evaluated.

The Chief Risk Officers embedded within each business unit or risk professionals in functional areas help align risk management practice with the strategies of the unit as well as with enterprise-wide objectives. The Corporate Chief Risk Officer and supporting staff are separate from the business units and provide objective oversight, framework enablement and aggregated risk analysis. Internal Audit provides independent assurance around effective risk management design and control execution. Principal cannot predict the long-term impacts of climate change, but will continue to monitor new developments, and will be integrated into the risk and opportunity management process.

Principal Real Estate Investors has dedicated resources and policies in place to identify and assess climate-related risks and opportunities to its business. These include staff and third-party consultants whose responsibilities include monitoring any changes to the regulatory environment, and any legal impacts they may have on its portfolio. The Responsible Property Investing Policies that have been put into place aim to address many issues related to Environmental, Social, and Governance (ESG). Principal Real Estate Investors prioritizes the following factors with regards to climate change risks and opportunities: adhering to applicable rules and regulations is our highest priority, followed by contractual agreements with our customers, service level agreements with our suppliers and finally, other business unit dependencies. Risks that are identified as having an estimated annual loss of $1,000,000 USD or more are considered to have a substantive financial impact and are evaluated. Principal tracks and manages climate related risks in the following ways:

• Due diligence - Our due diligence of new acquisitions includes the formal review of a broad spectrum of ESG risks and opportunities such as overall building performance and energy efficiency, physical and transition climate risk analysis, viability of green certifications like LEED, BREEAM, and ENERGY STAR, indoor environmental quality, occupant health and safety, toxic materials, environmental assessments, compliance with accessibility regulations, tenant satisfaction, walkability score and more depending on the specific property.

• Operations – We incorporate ESG factors into standard operational procedures such as conducting indoor air quality assessments, ensure all properties have business continuity and emergency plans in place, and engage tenants/residents about sustainability topics.

• Quarterly reporting – We produce quarterly utility performance updates, which detail energy reduction and associated cost savings, GHG emissions, energy, GHG, and water use and cost performance along with sustainability certifications such as LEED and ENERGY STAR®. Ultimately, the report tracks individual, fund, and portfolio-level data to identity trends in environmental performance and areas for improvement.

• Disaster analysis and insurance coverage – We conduct disaster analysis on all standing real estate investments. The analysis is used to inform the appropriate level of insurance needed for the property and includes a review of the risk of natural disasters including flooding, earthquakes, hurricanes, and severe convective storms.

•Climate Risk Analysis - As part of each new development project and property acquisition, we review physical and transition risks through a third-party climate risk data provider. Physical risks reviewed include sea level rise, flooding, tropical cyclones, extreme heat, and extreme cold. The Property Condition Assessment ("PCA") consultant includes evaluation of the property's 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 acquisitions team and engineer, 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. Case study on physical risk - After major storm and flooding risks were identified at one of PREI's facilities in Parsippany, NJ during the climate risk analysis, climate risk educational materials were distributed to the property managers at the site, which resulted in the implementation of weekly roof inspections, weekly parking lot storm drains inspections,

The transition risk analysis reviews emissions and benchmarking regulations. Carbon emissions (either actual historical property emissions or proxy estimate based on the property sector and location) are reviewed relative to current and predicted regulations to determine the level of emission reduction required at the property to meet common global warming scenarios (1.5°, 2°, and 3°C). Research of several databases is completed to identify all policies and regulations the property is subject to. This information is shared with the asset manager and property manager to ensure ongoing operational compliance and proactive steps to meet future requirements. On the existing asset portfolio, Principal Real Estate Investors continually monitors building energy use benchmarking and disclosure laws along with local building codes, to ensure compliance with current regulations. As of 2020, examples of this regulation include but are not limited to New York City's Benchmarking Law LL84, the Cambridge Building Energy Use Disclosure Ordinance No. 1360, and California AB 802. Many jurisdictions have implemented building benchmarking and building code laws as a way to monitor and reduce climate-related environmental impacts, and Principal properties are currently affected by these laws. Principal employs third party consultants as well as an in-house engineering staff to ensure properties monitor and comply with such laws.

Additional Comments:
Principal definition of short-, medium- and long-term time horizons:

	From (years)	To (years)
Short-term	0	1
Medium-term	1	5
Long-term	5	10

Definition of substantive financial or strategic impact on the business:

Risks that are identified as having an quantifiable annual loss of $1,000,000 USD or more are considered to have a substantive financial impact, and are evaluated.

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

Processes for Managing Climate Related Risks

The Chief Risk Officers embedded within each business unit or risk professionals in functional areas help align risk management practice with the strategies of the unit as well as with enterprise-wide objectives. The Corporate Chief Risk Officer and supporting staff are separate from the business units and provide objective oversight, framework enablement and aggregated risk analysis. Internal Audit provides independent assurance around effective risk management design and control execution. Principal cannot predict the long-term impacts of climate change, but will continue to monitor new developments, and will be integrated into the risk and opportunity management process.

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

Organizational Integration of Risk Management Practices

Principal has a comprehensive energy and sustainability (E&S) management team as well as Business Continuity (BC) and Operational Risk programs to identify risks and opportunities from changes in regulation, physical climate parameters and other climate-related developments.

The E&S management team actively monitors changes in regulation and works with Principal’s Corporate Relations team to manage communications to employees, associates and those that work for Principal in order to help promote a company that is environmentally responsible. For risks and opportunities related to physical climate parameters, the BC team provides oversight and coordination for BC activities throughout the company. Each business area is required to collaborate with the BC team to develop a BC plan. The BC plans are designed to ensure that the Company is able to resume operations within a specified time frame. For Operational Risks, each Chief Risk Officer (CRO) for their respective area are required to complete Risk and Control Self Assessment reviews for risk applicable to their business areas. The risk assessments focus on operation risks and also include emerging risks.

METRICS AND TARGETS

A. Metrics used by the Organization to Assess Climate-Related Risks and Opportunities

Metrics used by the Organization to Assess Climate-Related Risks and Opportunities

Our ESG research provider methodology includes a measure of the relative magnitude of the ESG risks faced by different industries, based on the interplay of environmental, social and governance (ESG) factors with the core business activities of each industry. Underlying ESG issues scored by the research provider framework can include: Carbon Emissions, Water Stress, Opportunities in Renewable Energy, Labor Management, Supply Chain Standards, and Corruption.

B1. Disclose Scope 1 and Scope 2 Greenhouse Gas (GHG) Emissions, and the Related Risks

Disclose Scope 1 Greenhouse Gas (GHG) Emissions 4,400

Disclose Scope 2 Greenhouse Gas (GHG) Emissions 21,859

Discuss Scope 1 and Scope 2 greenhouse gas (GHG) related risks
In 2020, after achieving the 2010-2020 carbon reduction goal, Principal developed a new carbon reduction goal for the organization, which focuses primarily on Scope 1 and Scope 2 market-based emissions from Principal's operations. This new goal was developed using guidance from the Science-Based Target Initiative. The goal covers a long term, 16-year outlook. This new goal has impacted Principal's operational strategy by identifying and prioritizing energy efficiency and energy conservation projects that have the ability to reduce energy consumption,

and therefore reduce carbon emissions. There would be a reputational risk for not completing this Science-Based Target Initiative.

B2. Disclose Scope 3 Greenhouse Gas (GHG) Emissions and the Related Risks

Discuss Scope 3 greenhouse gas (GHG) emissions and the related risks
Principal Real Estate Investors has tracked GHG emissions as part of an internal reporting requirement. More work needs to be completed to expand the emissions reporting for the remaining assets under management, as well as the assets under ownership.

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

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

Target 1: Absolute, Scope 1+2 (location-based)
Baseline Year: 2010
Target Year: 2020

Covered emissions in base year (metric tons CO2e): 66,922

Targeted reduction from base year (%): 30

Covered emissions in target year (metric tons CO2e) : 35,260

% of target achieved : 157% [auto-calculated]

When this goal was set, there was no established science-based target methodology for the financial institution sector, our absolute target follows the science-based targets methodology for the U.S. corporate sector: to reduce 2010 greenhouse gases by 30% by the end of 2020. To be on track to keep the rise of global temperatures below 2°C, the US corporate sector must reduce total annual greenhouse gas emissions in 2020 by 1.2 gigatons of CO2e from 2010 levels. This amount is equivalent to a 30% reduction of 2010 emissions by the end of 2020 across the US corporate sector (or annual reductions of approximately 3 percent per year). This is known as the 3% Solution. In 2015, Principal set a target to follow science-based GHG reduction target methodology in alignment with the 3% Solution. Our goal is to reduce our 2010 (baseline) Scope 1 and Scope 2 (location-based) emissions by 30 percent by the end of 2020. As of year-end 2020, we achieved a 47 percent reduction in our 2010 (baseline) Scope 1 and Scope 2 (location-based) emissions. Therefore, we have achieved and exceed our long-term emissions reduction goal.

Target 2: Absolute, Scope 1+2 (market based)
Baseline Year: 2019
Target Year: 2035

Covered emissions in base year (metric tons CO2e): 30,680

Targeted reduction from base year (%): 40

Covered emissions in target year (metric tons CO2e): 18,408

Covered emissions in reporting year (metric tons CO2e): 26,258

We have exceeded our 2020 goal of reducing our greenhouse gas (GHG) emissions by 30%, as compared to 2010 baseline, with a total GHG reduction of 47%. We utilized the well-below 2 degree C (WB2C) model within the Science Based Target tool to set our next carbon reduction goal for our scope 1 and scope 2 market-based emissions. Our new goal is to reduce our baseline Scope 1 and Scope 2 (market-based) emissions by 40 percent by the end of 2035. Because the low building occupancy in 2020 reduced our carbon emissions, we decided to use 2019 emissions as our baseline for this new goal.

Target 3: Net Zero
Baseline Year: 2019
Target Year: 2050

In addition to working toward a 40% reduction in greenhouse gas emissions over the next 15 years, we also aspire to achieve net-zero carbon emissions by 2050. This target is an outcome of our Net-Zero target (NZ1). We estimated our US scope1+2 emissions to represent 80% of our company-wide scope1+2 emissions, therefore, we estimated the base year emissions to be 30,680/80%=38,350. We are in the process of collecting actual data on our non-US locations.