Given our organization’s long-standing commitment to corporate stewardship and our track record in responsible property investing, we view the UNPRI as a natural progression in the development of our business. For this reason, we became a signatory to the United Nations Principles for Responsible Investment (UNPRI) in December 2010. All investment teams and boutiques within the global asset management business of Principal Global Investors are covered by our UNPRI signature. Consistent with our multi-boutique business model, each boutique will define the scope and pace of its own implementation path, driven by what fits best with its investment process and the needs of its clients.

Our Approach

At Principal Global Investors, our commitment to responsible investing and environmental, social, and corporate governance (ESG) issues revolves around one key factor — our fiduciary responsibility to our clients. Acting in their long-term best interests comes first and foremost. Our approach to responsible investing is at all times driven by that priority.

Our Commitment

The Principles for Responsible Investing are based on the premise that ESG issues can impact the performance of investment portfolios and investors should give them appropriate consideration to fulfill their fiduciary duty. In signing these Principles, Principal Global Investors publicly commits, where consistent with our fiduciary responsibilities, to the following:

1. To incorporate ESG issues into our investment analysis and decision-making processes
2. To be active owners and incorporate ESG issues into our ownership policies and practices
3. To seek appropriate disclosure on ESG issues from the entities we invest in
4. To promote acceptance and implementation of the Principles within the investment industry
5. To work with other signatories to enhance effectiveness in implementing the Principles
6. To report on our activities and progress towards implementing the Principles

An investor initiative in partnership with UNEP Finance Initiative and UN Global Compact

Integration

As a fiduciary for our clients, we welcome the broader investment prism that the Principles represent. Furthermore, we value the voice that our status as a UNPRI signatory gives us in defining and shaping the ESG discussion, the development of best practices, and ultimately the potential to enhance the risk-adjusted returns we deliver to clients.

Integration of ESG factors takes place across all asset classes that PGI manages. The integration approach is determined by the specific investment process of the underlying asset class, whether it is equities, fixed income or real estate.
Managed appropriately, we believe ESG integration contributes to enhanced long-term returns and reduced risks. Consistent with our overall investment philosophy, our ESG approach focuses on fundamental change. It is embedded directly within our research process in assessing the fundamental attributes of companies. Our focus is not limited to companies that rate highly according to third-party research providers, but rather companies that are demonstrating a commitment to improvement. In short, we encourage companies to always strive to be better versions of themselves. Our focus and commitment can therefore be summarized by our guiding purpose: By encouraging corporations to be leaders on sustainability through better long-term stewardship of human, natural and financial resources, we play an active role in the betterment of society.

For listed securities, the consideration of ESG issues currently takes place within our investment process as part of the fundamental research driving security selection. Our analysts are best placed to determine the importance of such factors in relation to a specific security or sector. The analysts provide the essential insights into industry trends and company-specific considerations integrating ESG factors into their final investment thesis. These insights and considerations have always been crucial to the evaluation of sustainable competitive advantages and risks at a company-specific and industry level.

In fixed income, ESG Integration within the investment process is utilized for the purposes of risk management and alpha generation. Our research teams are organized by areas of industry sector specialization, our analysts are responsible for providing essential insights into industry trends, and company-specific considerations, which may include certain ESG issues deemed material and relevant to the evaluation of sustainable earnings trends, sentiment, and valuation. Every corporate issuer in our coverage universe is assigned a specific ESG score, with all assessments captured via the ESG scoring grid. That score is an essential deliverable of investment thesis. Both industries and issuers are scored using this model.

For real estate investments, Principal Real Estate Investors (PrinREI) maintains a unique sustainability and investment platform, known as the Pillars of Responsible Property Investing (PRPI). PRPI is a unique, overarching environmental-social-and-governance framework developed to drive superior asset management and fiduciary governance, and deliver positive financial and environmental results. The PRPI philosophy integrates ESG within every aspect of PrinREI’s investment process for these assets, including acquisitions and development, dispositions, operations management and lending. The Pillars of Responsible Property Investing initiative demonstrates our commitment to the UNPRI, and is a natural progression of our sustainable investment philosophy.

**Client-Driven Mandates**

While ESG considerations are integrated into our investment process, Principal Global Investors currently manages client mandates with specific ESG exclusions. In addition to integration, these mandates require negative screening as well. The exclusions are noted in the clients’ Investment Management Agreements and are applied through rules within our Compliance and Order Management System.

**Reporting**

The sixth Principle for Responsible Investment states that we will report on our activities and progress towards implementing the Principles. To this end, Principal Global Investors has committed to fulfill the annual signatory reporting requirement. Our most current RI Transparency report can be found on the UNPRI website.