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On the cover (front):
Watermark Kendall East and West, Cambridge, MA
- East is LEED Silver Certified
- West is LEED Gold Certified

Inside cover (right):
Watermark LIC, Long Island City, NY
- LEED Silver Certified
### What matters most?

#### A letter from our CEO

It’s not every day that you can find a place where doing the right thing overlaps with doing your best work and delivering results for clients. But that’s exactly what Principal Real Estate Investors believes we’ve done with our responsible property investing efforts.

What is “responsible?” To some, it means ESG—environmental, social, and governance—factors. To us, it’s even more. It’s delivering positive financial and environmental outcomes. It’s finding the critical junction between superior asset management and fiduciary governance.

And it starts with a framework we call our Pillars of Responsible Property Investing (PRPI) initiative. The pillars align our interests with those of our stakeholders. They curate a deeper investment perspective and reduced risk.

#### How do we measure “responsible?”

There’s impact. The PRPI initiative currently encompasses about $11 billion in real estate assets. That’s 175 properties from six different real estate funds, collectively representing nearly 35 million square feet. Sixty-one of our buildings are ENERGY STAR® certified, and fifty-seven are LEED® certified. Through the PRPI initiative, we’ve reduced energy usage by 18.5% and saved more than $52 million in cumulative energy costs since 2008. And, we’ve kept 117,000 metric tons of CO₂ out of the atmosphere during that same time.

There’s progress. We’ve launched several new initiatives that expand and improve the PRPI platform. We’re creating new ways to save energy and identifying new programs to recognize top performers. We’re also harnessing new tools to help us understand property performance and resilience.

And, sure, there’s recognition. We’re honored to have achieved the highest possible rating from PRI for the second consecutive year. In 2018, our investors can be proud that we earned a third consecutive GRESB 4-star rating for both of our participating real estate funds. That means our performance was in the top 40% of all GRESB participants worldwide. We also earned our first ENERGY STAR Partner of the Year: Sustained Excellence Award for superior energy management and dedication to the ENERGY STAR program.

In this report, you will also find out more about why we believe ESG is important for investors. And, you’ll find out how our Pillars of Responsible Property Investing translate into real-world success.

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**Todd Everett**  
Chief executive officer,  
Principal Real Estate Investors
Why ESG is important for investors

The business rationale behind responsible property investing

At Principal, being socially responsible is central to who we are as a company. Our focus on environmental, social, and governance (ESG) considerations is a core aspect of our fiduciary duty to clients and investors.

But we believe ESG can improve real estate investment outcomes too. How? In our view, considering ESG factors enhances our investment management capabilities and drives results by aligning interests, providing a deeper perspective, facilitating operational excellence, reducing risk, and powering a competitive advantage.

Better alignment

❖ It’s what investors want. 75% of senior investment executives consider ESG performance a vital aspect of investment decisions and about 66% of investment firm board members would consider divesting from a corporation with poor ESG performance.¹

❖ It’s what communities want. 90% of Americans think that it’s important for companies to operate in a way that benefits society and protects the environment.²

❖ It’s what tenants want. 80% of residents living in class A buildings think that living in a sustainable building is important.³

❖ It’s what millennials want. 67% of millennials believe in expressing social and environmental values through investments.⁴

Better perspective

❖ Including ESG issues in investment decisions helps provide a more holistic valuation of investments and motivates companies to improve management.⁵

❖ We’re incentivized to think deeply about each individual investment and its impact on our overall portfolio, allowing for enhanced fiduciary oversight and stronger governance.⁶

Energy storage for improved resilience

Park Place, one of our office properties in Burbank, CA, installed the nation’s largest indoor battery storage systems. The system reduces peak energy demand, contributing to energy cost savings and to a more resilient electrical grid in Southern California.
Better results

Socially responsible investment funds perform better over time as compared to traditionally managed funds. Socially responsible investment funds perform better over time as compared to traditionally managed funds.7 ESG performance is seen as a proxy for good investment management just as LEED buildings signal to the market that they are well-managed real estate assets.6,9 Green buildings have 9–14% lower operating costs than their non-green counterparts, leading to increased net operating income.10

Better certainty

Green buildings help futureproof investments by protecting against climate, regulatory, and environmental risks.11 High-performance buildings can hedge against changing consumer preferences and rising energy prices.12

Better performance

Occupancy rates are 9% higher and rent premiums are 2.2% higher for green-certified-buildings as compared to non-certified buildings.13 Tenants increasingly link satisfaction to sustainably certified buildings, leading to higher retention rates, and decrease costs associated with vacancies.14

Put simply, ESG makes us better stewards for our clients and investors. It brings us into greater alignment with their needs, and positions us well in a dynamic real estate market to anticipate and act on emerging trends and opportunities.

Jennifer McConkey, senior director of operations & real estate
The PRPI Pillars

Since 2013, we have used a unique, overarching ESG framework called the Pillars of Responsible Property Investing initiative. This framework helps drive asset management and fiduciary governance as we strive to deliver positive financial and environmental results. Not only does the PRPI framework guide our approach to real estate investment and management, it also supports our property management partners who handle daily operations across our portfolio.

Overseeing the initiative is our RPI Working Group. Made up of senior leaders from portfolio and asset management, engineering and operations, marketing, and sales teams, they meet quarterly to review PRPI goals and progress, and set program priorities.

We’ve developed **three specific pillars** to guide our approach to real estate investment and management:

- **Market resilience**
  Reinforcing the social and economic vitality in markets where we do business through:
  - Equitable contracting
  - Community investment
  - Healthy and productive buildings

- **Corporate governance**
  Managing risk and meeting investor objectives through:
  - Integrity
  - Transparency
  - Managerial oversight

- **Property performance**
  Delivering enhanced financial and environmental performance through:
  - Benchmarking energy, water, and waste
  - Operational best practices
  - Stakeholder engagement

**Assessing climate risks**

Aligning with the recommendations of the Task Force on Climate-related Financial Disclosures, we have commissioned a pilot climate risk assessment of one of our real estate funds. Through this analysis, we hope to **strengthen our ability to identify and manage risks**, and further fulfill our fiduciary obligations.
Market resilience

A cycle of community and investment reinforcement

We believe success in real estate investing depends on the continued vitality and viability of local economies. That’s why we foster local relationships and connect investors, clients, tenants, contractors, and the surrounding community.

We conduct business equitably and ethically to help strengthen local marketplaces, improve the health and productivity of occupants, and reinforce the financial performance of our properties.

In our efforts to **support greater market resilience**, we follow a number of protocols:

<table>
<thead>
<tr>
<th>Protocol</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk-mitigation plans and maintenance protocols</td>
<td>manage tenant comfort, safety, and satisfaction.</td>
</tr>
<tr>
<td>Responsible contracting, standardized construction contracts, and service agreements</td>
<td>promote quality craftsmanship and fair-labor practices.</td>
</tr>
<tr>
<td>Physical condition reports, environmental assessments, and seismic analysis</td>
<td>ensure public safety and welfare.</td>
</tr>
<tr>
<td>Tenant improvements</td>
<td>focus on tenant health, safety, and welfare.</td>
</tr>
<tr>
<td>Standardized building management practices</td>
<td>ensure consistent treatment of tenants and vendors.</td>
</tr>
<tr>
<td>Accessibility assessments and third-party reports</td>
<td>ensure compliance with local and national laws.</td>
</tr>
<tr>
<td>Building-level communications</td>
<td>increase tenant and community engagement.</td>
</tr>
<tr>
<td>Hiring local firms to manage property design, construction, and operations</td>
<td>creates jobs and contributes to the local economy.</td>
</tr>
<tr>
<td>Recycling, green cleaning, integrated pest management, and low-water-use landscaping</td>
<td>foster safe and healthy buildings.</td>
</tr>
<tr>
<td>Vendor and purchasing initiatives</td>
<td>promote supplier diversity.</td>
</tr>
</tbody>
</table>
Corporate governance

A culture of ethics, transparency, and managerial oversight

We invest in a diverse mix of properties across the United States. That means we have many objectives to meet for our clients, funds, tenants, and communities. We bring balance to these objectives through our centered perspective and a governance platform that guides daily decision-making.

Rooted in our core values of ethics and integrity, our management practices are designed to benefit investment returns, enforce policy compliance, and mitigate risk. Our corporate governance platform is the foundation for our fiduciary responsibility to our clients and includes several facets: investment oversight and governance, policies and procedures compliance, and transparency and reporting.

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

<table>
<thead>
<tr>
<th>Advisory committee</th>
<th>Portfolio team</th>
<th>Management committee</th>
<th>Investment committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comprised of fund investor representatives</td>
<td>Responsible for day-to-day portfolio activities</td>
<td>Reviews real estate transaction decisions</td>
<td>Evaluates investments using environmental, social, and governance variables</td>
</tr>
<tr>
<td>Oversees fund performance</td>
<td></td>
<td>Ensures compliance with investment guidelines</td>
<td></td>
</tr>
</tbody>
</table>

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

Our 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.

Our partners

We conduct due diligence and underwriting on all potential partners and vendors (includes financial checks, reference checks, and Office of Foreign Assets Control verification).

We annually certify our property management partners to help verify their compliance with policies and confirm appropriate internal controls.

Our properties

We complete on-site property management financial and operational audits that ensure policy compliance and provide education on best practices.

We carry out annual tenant surveys to validate quality of service and satisfaction.

Transparency and reporting. We track, monitor, and disclose key financial and environmental data to assess relative performance and identify trends and opportunities:

- Member since 2014
- Submit annual response to GRESB assessment
- Signatory since 2010
- Submit annual response to PRI survey
- Partner since 2013
- Benchmark energy, water, and waste in Portfolio Manager
Property performance

Driving financial and environmental results

We believe that improving environmental performance can drive greater financial performance, and we guide our investment decisions accordingly. We accomplish this by designing and developing strategies for new construction, and by adhering to best practices in day-to-day building operations. Our property management partners help us accomplish enhanced environmental and financial outcomes through our property performance cycle. The cycle’s foundation is the reporting, policies, and research that inform the following activities:

Property performance cycle

**Measure performance**
Understand how the building is performing by:
- Benchmarking energy, water, and waste in ENERGY STAR Portfolio Manager
- Setting portfolio- and property-level goals
- Implementing advanced energy monitoring

**Investigate opportunities**
Identify operational best practices, efficiency, and cost savings opportunities by:
- Conducting ESG property assessments and energy audits
- Researching rebates and incentives
- Evaluating energy-procurement options and energy-curtailment programs
- Developing Energy Playbooks

**Engage stakeholders**
Educate tenants, brokers, vendors, and the community on the benefits of sustainable operations. Collaborate to foster engagement and identify additional performance improvements by:
- Developing communication, education, and engagement plans
- Collaborating with brokers to market sustainability features and benefits
- Leveraging vendor expertise
- Informing appraisals
- Publicizing successes and sharing accomplishments

**Implement best practices**
Optimize building operations through standardized, portfolio-wide operational practices by:
- Adopting sustainability-procurement policies
- Enhancing building standards, rules, and regulations
- Certifying green-building performance
- Incorporating standard green lease language
- Leveraging technology and smart-building advancements

Foundation

**Reporting**
PRI, CDP, GRESB, annual reports, management reports

**Policies**
Property Manager guidelines, responsible property investing, utility data management, new development guidelines, smart building strategy, health and wellness guidelines

**Research**
Due diligence, project pilots, internal/external data mining, evidence based decision making, analysis, and industry collaboration
Pursuing property performance is a key component of the Pillars of Responsible Property Investing initiative. We define performance through financial and environmental success. Our team sets performance targets and tracks the progress of both near- and long-term investments.

Principal Real Estate Investors monitors the utility costs and consumption versus benchmarks at 175 buildings, covering 35 million square feet of gross floor area. This group includes all eligible buildings in the office, retail, and multifamily portfolios.¹⁵

Our portfolio:

175 properties in the PRPI initiative
35 million square feet in the PRPI initiative

Our sustainability targets:

20% energy reduction by 2020
10% greenhouse gas, water, and waste reduction by 2020

Our sustainability progress:

18.5% cumulative energy savings since baseline
$52.5 million cumulative energy savings since baseline
$8.9 million in annual avoided energy costs since baseline
117,000 metric tons of CO₂ equivalent savings since baseline

Above:
500 West Second Street, Austin, TX
- LEED Gold Certified
We promote our sustainability accomplishments through the certification of buildings in **ENERGY STAR** and **LEED**.\(^\text{15}\)

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**89%**

of our office portfolio is **green (ENERGY STAR or LEED)** certified

**ENERGY STAR**
Partner of the Year
Sustained Excellence 2018

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**ENERGY STAR and LEED performance**

- **76%** of office portfolio is ENERGY STAR certified
- **61** ENERGY STAR certified buildings in portfolio
- **77** average office ENERGY STAR score

- **59%** of office portfolio is LEED certified
- **57** LEED certified buildings in portfolio
- **74%** of LEED certified properties achieve Gold or Platinum

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**Innovative energy production**

Watermark, one of our multifamily properties located in Cambridge, MA, installed cogeneration equipment to produce off-the-grid electricity. This system generates **electricity and heat for the building** while saving on energy costs and reducing greenhouse gas emissions.
Progress

When it comes to responsible property investing, being better requires continued evolution and expansion. We continually look ahead and actively monitor industry trends, investigate emerging technologies and sustainability practices, and track new investment risks and opportunities to maintain our best-in-class ESG platform. As a result, we’ve launched new programs and rolled out new policies for the PRPI initiative to help deliver for our clients, investors, and stakeholders.

New programs

- **Energy Playbook Program**
  This program guides office properties through the process of creating 2020 energy-savings targets and identifying efficiency projects to meet their goals. We created over 400 efficiency projects at 64 participating properties, which should save a total of $2.9 million in annual energy costs.

- **IREM and Fitwel**
  We are exploring certifications with [Institute of Real Estate Management](https://irem.org) Certified Sustainable Property and [Fitwel](https://fitwel.com) as a low-cost way to bring market recognition for sustainability and health and wellness achievements to our properties.

- **Cornerstone Awards**
  We launched an awards program for our property teams and joint venture partners. This program recognizes leadership in sustainability efforts with special emphasis on energy performance and tenant engagement.

- **Property assessments**
  We are developing a property-level assessment strategy to help individual assets achieve environmental, social, and financial performance expectations. This new strategy will enable the customized review and improvement of property operations on a rolling basis.

New policies

- **Enhanced appraisals**
  A broader appraisal scope ensures sustainability efforts drive value. We analyze, compare, and evaluate the high-performance and energy-efficient attributes of properties such as ENERGY STAR score, and other green certifications.

- **Sustainable lending**
  We developed a responsible property investing lending policy (see appendix) to formalize our commitment to industry-leading ESG practices in real estate lending. We are also tracking the sustainability attributes of our assets, monitoring exposure to natural hazards, and maintaining a debt working group focused on improving ESG performance.

- **Strengthened due diligence**
  We require formal due diligence of building attributes for new acquisitions, including utility performance, green certifications, sustainability programs and policies, occupant amenities, and climate risk and resilience features.

- **Health and wellness policy and goals**
  We are building policies to meet or exceed healthy-building criteria and create extraordinary work and living environments.
Recognition

Industry organizations have recognized us for our ongoing commitment to excellence in ESG efforts through the PRPI initiative. We are very proud of what we have achieved for our clients and investors, and for the recognition our efforts have generated.

ENERGY STAR Partner

The U.S. Environmental Protection Agency’s ENERGY STAR Partner of the Year Award recognizes organizations with superior energy management and performance.

- We were awarded three consecutive ENERGY STAR Partner of the Year Awards (2016-2018), including our first Sustained Excellence Award in 2018.
- We’ve been an ENERGY STAR Partner since 2013.

GRESB

GRESB, the global benchmark for real assets, compares real estate funds based on their ESG policies, management, and performance.

- Our two participating funds earned GRESB Green Star designations for the fifth year in a row (2014-2018) and 4-star designations for the third year in a row (2016-2018).
- Both funds placed in the top 10 of their peer group and outperformed peers on 6 out of 8 GRESB aspects (2018). They received perfect scores in three GRESB aspects: Management, Policy & Disclosure, and Risks & Opportunities.

Principles for Responsible Investment (PRI) Direct Property Module

The PRI assessment ranks companies on their ESG policies and procedures in managing real estate assets.

- In 2018, we received PRI’s highest possible ranking (A+ band) for second consecutive year.
- We also received 52 of 54 total points, and outperformed peers in all 7 Property Module sections (2018).
Environmental, social, and governance achievements

- Named one of the World’s Most Ethical Companies for the eighth time by Ethisphere Institute (2018)
- Certified as a Great Workplace by Great Places to Work (2018)
- Ranked #1 Best American Employer for Women by Forbes (2018)
- Named among America’s top companies for lesbian, gay, bisexual and transgender (LGBT) equality, by earning a perfect 100% score on the Human Rights Campaign Foundation’s 2018 Corporate Equality Index (CEI)
- Named one of the National Association for Female Executives (NAFE) Top Companies for Executive Women by the NAFE for the 17th time (2018)
- Ranked 184 out of 500 US firms in the Newsweek Green Rankings (2017)
- Named among the best places to work by Pensions & Investments annual survey of “Best Places to Work in Money Management” for the eighth year running (2018)

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U.S. Department of Energy
We have collaborated with the U.S. Department of Energy in several programs to support advancements in energy efficiency and green buildings.

- The Institute for Market Transformation and the U.S. Department of Energy’s Better Buildings Alliance (2017) named us a Green Lease Leader. This program recognizes companies who revolutionize the real estate industry by incorporating energy efficiency and sustainability into standard leasing language.
- We became a charter member of the U.S. Department of Energy Data Lab and a leading participant in a pilot study on the link between real estate sustainability and improved financial performance (2016).
- We joined the U.S. Department of Energy’s Better Buildings Alliance in 2014.

CDP Climate Performance Leader
CDP ranks companies on their disclosure, awareness, management, and leadership around climate change.

- We were named a CDP S&P 500 Climate Performance Leader for the sixth year in a row (2018) and ranked in the A- band for 2018 performance.

Innovative energy production
Hazard Center, a Principal Real Estate Investors office property located in San Diego, CA, created an interactive dashboard for tenants on the building’s energy performance. The dashboard is located in the building lobby. It illustrates the building’s ENERGY STAR score and current performance trends, and provides tips for tenants to reduce energy use.
About Principal and Principal Real Estate Investors

Principal helps people and companies around the world to build, protect, and advance their financial well-being with our retirement, insurance, and asset management experience. With innovative ideas and real-life solutions, we make financial progress possible for clients of all income and portfolio sizes. A member of the FORTUNE 500®, Principal serves 22 million customers with offices in 19 countries throughout Asia, Australia, Europe, Latin America, and North America.

Principal Real Estate Investors is the dedicated real estate asset-management group of Principal Global Investors. Principal Real Estate Investors builds upon a vertically-integrated platform, incorporating all disciplines of commercial real estate across the spectrum of public and private equity and debt investments.

Our Responsible Property Investing (PRPI) initiative currently encompasses 175 office, multifamily, and retail assets in six real estate funds. These assets collectively represent 35 million square feet of real estate valued at about $11 billion.

For more information regarding the Principal Real Estate Investors PRPI initiative:

› Please visit:  
  https://www.principalglobal.com/rpi

› Contact Jennifer McConkey  
  Senior director of operations and real estate  
  McConkey.Jennifer@principal.com

For more information on how the PRPI initiative fits into Principal Global’s ESG efforts and Principal’s Corporate Social Responsibility Efforts:

› Please visit:
  https://www.principalglobal.com/about-us/responsible-investing
  https://www.principal.com/about-us/corporate-citizenship
Appendix A

Our responsible property investing policy

Since 2016, our commitment to real estate sustainability has been represented by our responsible property investing policy. This policy formalizes our approach to reducing the environmental impacts of our portfolio and increasing financial value.

Principal Real Estate Investors focuses first and foremost on upholding our fiduciary duty to our clients and investors, but also believes that investment performance does not need to be sacrificed to produce positive environmental results. Appropriate consideration of environmental, social, and governance issues is integral to our fiduciary responsibility and critical to delivering superior risk-adjusted returns.

Principal Real Estate Investors’ Responsible Property Investing Policy recognizes the relationship between real estate as an investment vehicle and its role in improving our communities and that real estate, through development, operations, and management, possesses the power to positively impact our stakeholders.

As a market and community leader, Principal Real Estate Investors is committed to engaging with stakeholders to reduce the environmental impacts of its real estate portfolio and, as such, promote environmental stewardship.

In support of this commitment, the following environmental, social, and governance strategies are integrated into all phases of the real estate investment lifecycle, including acquisitions, development, operations, management, and dispositions:

- **Partner** with clients and investors to implement the Pillars of Responsible Property Investing initiative.
- **Engage** property tenants, residents, and guests to build partnerships and programs that meet the needs of our communities.
- **Collaborate** with joint-venture partners, property managers, technicians, vendors, and service providers to implement our Responsible Property Investing strategies and ensure best-in-class operations.
- **Monitor and track** greenhouse gas (GHG) emissions and take actions to continuously improve performance.
- **Reduce** environmental impacts through energy, water, and waste management practices, as well as, cost-effective development and management strategies.
- **Promote** accomplishments in the market, share best practices and certify properties in LEED, ENERGY STAR, and other industry recognized certification programs where appropriate.

Principal Real Estate Investors’ Responsible Property Investing Policy has been approved by its executive management team and is implemented through the Responsible Property Investing working group.
Appendix B

Our responsible property investing lending policy

Commercial real estate is an integral part of our communities and the economy. It directly impacts the environment, our quality of life, and economic well-being. Similarly, our real estate lending practice represents an important market mechanism to enable community and economic development, and provide our clients and investors additional opportunities to meet their investment objectives. This policy formalizes our commitment to improving communities with sustainable practices throughout the lending process—including loan origination, due diligence, underwriting, and portfolio monitoring.

Principal Real Estate Investors focuses first and foremost on upholding our fiduciary duty to our clients and investors. We believe that the environmental, social, and governance (ESG) attributes of our assets can provide unique insights into overall financial performance and risk, and thus consideration of ESG factors is consistent with our fiduciary responsibility and critical in our goal of developing attractive risk-adjusted returns.

We integrate several ESG actions into our lending process:

- **Evaluate sustainability attributes of new loans.** Principal Real Estate Investors is committed to evaluating the ESG attributes of new loans before approval. In each loan application, borrowers report the building’s LEED certification level, ENERGY STAR certification level, other sustainability certifications, and if and how the building’s energy consumption is tracked. The borrower must also supply supporting documentation for any certifications. This information is then evaluated by our Investment Committee as part of the assessment of the overall collateral quality and competitive position in the market. Other ESG-related information considered by the Investment Committee includes (a) walk, bike, and public transit scores; (b) natural hazard and climate change risk; (c) Phase 1 Environmental Site Assessment results, including health and habitat impacts; (d) quality of building energy systems; (e) regulatory and obsolescence risk; (f) socio-economic and development impacts; and (g) any evidence of borrower misconduct.

- **Distribute annual sustainability survey.** To continually track and improve the energy performance of our assets, we also distribute an annual Sustainability Survey to existing borrowers that monitors the same building sustainability attributes reported on loan applications. This survey is distributed in Q1 of each year for the prior calendar year, and the information is also requested as part of annual property inspections. We then track and analyze responses in a centralized database. We have set a goal of 90% survey response rate for 2018.

- **Improve resilience to climate change and natural hazards.** Principal Real Estate Investors is committed to understanding and reducing the natural hazard risk to our portfolio in three ways. First, we have a standardized process to individually assess the natural hazard risk of new loan originations (including flood, earthquake, and windstorm risk) and require the borrower to undertake retrofits and/or acquire insurance where appropriate. Second, we 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. Third, we have taken and will continue to take steps to proactively identify and respond to regional climate risks such as sea level rise.

- **Engage with the industry.** Principal Real Estate Investors believes that the real estate industry should take the lead in establishing sustainable lending best practices. We are committed to working with investors, regulators, industry associations, and other groups to ensure that industry-wide standards reflect a commitment to ESG performance. To formalize our commitment to good corporate governance, we became a signatory to the Principles of Responsible Investment (PRI) in 2010 and submit a response to the annual PRI assessment to benchmark our governance performance against best-in-class peers. In addition, we participate in several industry associations and other groups working to improve ESG performance, including the Urban Land Institute, Mortgage Bankers Association, and the Dutch Treat Life Mortgage and Real Estate Officers Council. Each year, our senior leadership team identifies five or more high-priority events and collaborations where we feel we can provide a valuable contribution as ESG leaders. We prioritize initiatives that (a) address needed industry standards, (b) have potential for large-scale impact, and (c) would benefit from our specific expertise in real estate lending.

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

Principal Real Estate Investors’ Responsible Property Investing Policy has been approved by its executive management team and is implemented through the Responsible Property Investing working group.

*These actions apply to the Principal Life Insurance Company (PLIC) General Account and other participating debt funds managed by Principal Real Estate Investors.*
End notes

4. “Swipe Right to Invest: Millennials and ESG, the Perfect Match?” MSCI. https://www.msci.com/documents/10199/07e7a7d3-59c3-4d0b-b0b5-029ae8fd3974b (accessed 2017).
15. The information provided in this collateral is based on data input by individual property teams as of October 2018 into ENERGY STAR Portfolio Manager, with select review and validation. Baselines represent the start date for the estimated energy savings calculations described on this page. For office properties, such baselines are individually set and generally date back to 2009 (irrespective of potentially earlier acquisition date); for retail and multifamily properties, such baselines generally date back to 2012 (irrespective of potentially earlier acquisition date). The energy savings performance figures are being provided for illustrative purposes. Such figures are estimates with respect to the Portfolio and have been calculated in good faith and are based on original sources and data, as applicable, including information derived from sources other than Principal or its affiliates that is believed to be reliable; however, Principal does not independently verify or guarantee the accuracy or validity of such information. Certain information related to specific properties may have not been obtained in preparing such calculations, and no representations are made as to the completeness of the data. The information provided in this collateral is based on data input by individual property teams into ENERGY STAR Portfolio Manager, with select review and validation. The office portfolio includes whole-building energy consumption and costs, while the residential and retail portfolios primarily include common area consumption and costs. Office property performance is normalized by ENERGY STAR Portfolio Manager for weather and operating characteristics, residential performance is normalized for weather alone, and retail performance is not normalized. Performance results may undergo some moderate variability as property teams continue to update utility, space use, and occupancy data. Baseline is generally viewed as December of 2008, the year before Principal Real Estate Investors joined ENERGY STAR, launched the first Green Fund, and accelerated sustainability efforts. Many properties have individual baselines set according to unique circumstances, with office building baselines dating as far back as December 2008. Retail and multifamily baselines are generally set in December of 2012 when they were brought into the PRPI initiative. Avoided costs are generally calculated as the difference in normalized energy consumption between the time a building entered the PRPI initiative and the current time period, multiplied by the local energy rate. The investments described in this section are not comprehensive and do not include all investments made by Principal or all investments within Principal Real Estate Investor’s “responsible property investing” initiatives. In particular, this Portfolio excludes industrial and land investments and excludes certain office, retail and multifamily investments. The energy savings performance figures are being provided for illustrative purposes. Such figures are estimates with respect to the Portfolio and have been calculated in good faith and are based on original sources and data, as applicable, including information derived from sources other than Principal or its affiliates that is believed to be reliable.

16. Each year, the EPA honors organizations that have made outstanding contributions to protecting the environment through energy efficiency. April 2018, U.S. Environmental Protection Agency.


19. For further details please refer to the PRII Assessment Methodology, Principal Global Investors’ full Assessment Report and Transparency Report, all of which is available upon request.


21. CDP Climate A list was established in 2011 and names the world’s businesses leading on environmental performance. https://www.cdp.net/en/scores

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