

Committed to Our Communities

At The Principal®, we believe *how* we do things is every bit as important as what we do. We're guided by ethical corporate governance, social responsibility and sustainability.

Who We Are as a Company

Studies have shown that ethically managed companies perform better. But that's not why we do it. Operating in an ethical fashion is something that's been part of our corporate DNA since the company began in 1879.

Before the Principal Financial Group was a global FORTUNE 500 company, it was a simple idea in the mind of Edward Temple. Before then, in 1857, a land office business Mr. Temple ran with his brother failed. Rather than declaring bankruptcy, however, the Temple brothers sold their property and spent the next four years paying back their creditors in full, plus 10 percent. That earned Edward Temple a reputation for integrity—a reputation he maintained throughout his long career.

Today, with integrity as one of our core values and the foundation of everything we do, we make sure Mr. Temple's legacy thrives. That means we don't have to think twice about doing the right thing. In short, we treat our customers, advisors and employees right.

Our strong sense of right and wrong also drives us to care for the communities in which we operate. We do this by:

- **Donating generously to deserving organizations** that support education, arts and culture, health and human services and the environment
- **Protecting the environment** through conservation of resources, recycling and other sustainability initiatives
- **Actively encouraging our employees to care for their communities**—by volunteering, donating and conserving
- **Supporting employee service**—through strong military benefits, political leave, etc.
- **Taking care of our employees' well-being** through wellness programs, flexible work arrangements and our family-friendly culture.



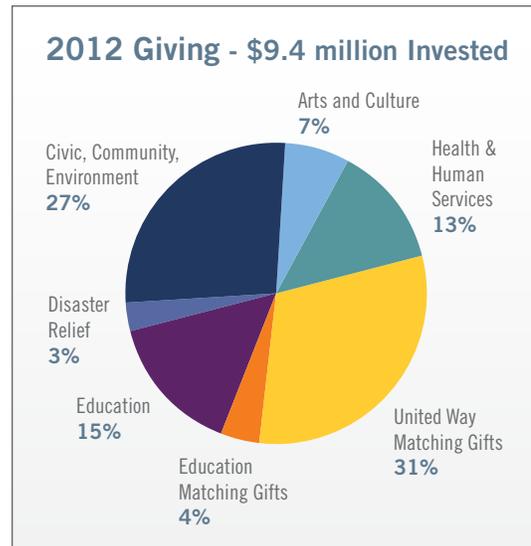
Our commitment at the corporate level is matched by the enthusiasm and commitment of our talented, caring employees who make their communities better places to live and work. Every day.

GIVING BACK TO OUR COMMUNITIES

Helping people is an important part of our culture at The Principal. That's why the company, its employees and the Principal Financial Group Foundation, Inc., work together to give to those in need in a variety of ways.

In 2012 alone, we gave over \$9.4 million to more than 555 organizations. The organizations to which we donated serve a variety of needs, including:

- Health and human services
- Civic and community projects
- Support for the environment
- Education
- Arts and Culture
- Disaster relief



This report highlights just a few of the many ways in which The Principal gives back. While too many to list here, you can learn more about the ways we give back by visiting principal.com/about/social/index.htm.

THE PRINCIPAL CHARITY CLASSIC



Sponsored by The Principal, The Principal Charity Classic brings PGA Champions Tour professional golf to Central Iowa—creating a signature event that attracts tens of thousands of spectators and brings in millions of dollars in revenue for local businesses.

It's all based around a goal of benefiting kids. In 2012 alone, The Principal Charity Classic donated a record \$917,729 to local children's charities, making it the most charitable Champions Tour event. Over the course six years, The Principal Charity Classic has donated nearly \$4 million.

The recipients of The Principal Charity Classic donations are the 95 Birdies for Charities organizations and our five Fore Our Kids organizations in the Des Moines area:

- Blank Children's Hospital
- The Community Foundation of Greater Des Moines
- United Way of Central Iowa
- Bravo Greater Des Moines
- Variety—The Children's Charity of Iowa

Learn more at principalcharityclassic.com.

UNITED WAY

Since the 1930s, The Principal has embraced United Way (originally known as Community Chest). In return, our more than 13,000 employees continually impress us with their generosity.

In 2012, for instance, two-thirds of our employees pledged a total of \$3.07 million to United Way—surpassing our goal and exceeding 2011 donations by more than 10 percent. Those donations were matched dollar-for-dollar by the Principal Financial Group Foundation, which will result in a total donation from The Principal and employees of more than \$6 million.

The Principal is one of only 25 companies to receive United Way of America’s Spirit of America Award for corporate community involvement.

Employees designated their gifts to more than 1,200 local United Ways across the U.S. And all of employees’ United Way donations stay within their own communities.

Our employees also volunteer at several United Way organizations throughout the year as part of our Day of Action activities. And, during our 2012 campaign, some 250 employees built bookcases to benefit children who participate in programs at more than 60 United Way agencies.

Matching gifts

United Way is one of three matching gift programs at The Principal. We also match gifts to K-12 education foundations and institutions of higher learning.

- **In 2012 alone, \$3.29 million in employee donations qualified for \$3.29 million in United Way and Education matching gifts from The Principal.**
- **Employee-directed giving—through matching contributions—made up 35 percent of annual giving from The Principal in 2012.**

THE PRINCIPAL RIVERWALK



The Principal Riverwalk was our gift to the City of Des Moines in honor of the 125th anniversary of The Principal. It’s an answer to local residents’ wishes for more family-friendly opportunities to get outdoors, access local trails and interact with nature.

The project features:

- Unique pedestrian bridges and pathways that connect 300 miles of Central Iowa trails
- Lighted, landscaped public spaces
- World-class public art
- An outdoor ice skating rink

The project has helped Des Moines reclaim the rivers that lie at the center of the city—creating a vibrant social and recreational area that draws residents of all ages and from all walks of life.

HIRE OUR HEROES



We believe that diversity and inclusion are key drivers of creativity and innovation. Throughout our global operations, we strive to make meaningful connections with those in our workplace, marketplace and community.

In January 2011, The Principal received the Greater Des Moines Partnership's Diversity Award for an unprecedented third time.

The Hire Our Heroes initiative—which promotes the hiring of military veterans—is a great example. Too often, returning members of the military struggle to find a job. In fact, the unemployment rate among those who just returned from a deployment has been 2.5 times higher than the overall unemployment rate.

To help combat this problem, The Principal took a leadership role, joining forces with other organizations and businesses in Iowa to:

- Educate employers on the many benefits of hiring veterans
- Deliver an awareness outreach program to interest employers in hiring veterans
- Recruit human resources professionals to help veterans develop more effective resumes

After the initiative was implemented, Major General Timothy Orr of the Iowa National Guard reported that unemployment among veterans returning from deployment decreased from its height of 32 percent to just 6 percent in Iowa. While many programs contributed to this result, Major General Orr credited Hire Our Heroes as a driver.

For our support of the military, The Principal was awarded:

- **The 2011 Secretary of Defense Employer Support Freedom Award for exceptional support of employees serving in the Guard and Reserve**
- **The Iowa Employer Support of the Guard and Reserve 2011 Governor's Award**

THE PRINCIPAL VOLUNTEER NETWORK

Formed in 1972, The Principal Volunteer Network is the oldest corporate volunteer program in Iowa. This employee volunteer program facilitates thousands of hours of employee volunteerism each year, with much of that work done on employees' own time.

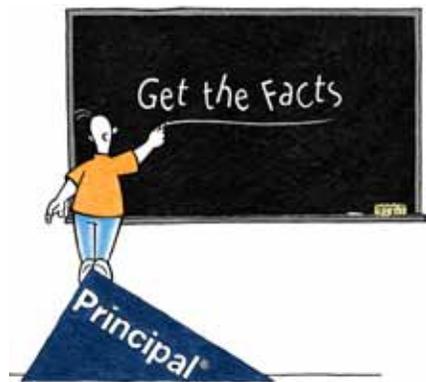
To encourage employee volunteerism, The Principal offers a benefit called Volunteer Time Off (VTO). In 2012, approximately 4,000 employees logged almost 26,000 hours of VTO. In addition, 450 employees in Central Iowa participated in the Des Moines Days of Action.

Our employees also used VTO to help build houses for those in need through Habitat for Humanity. In 2012, nearly 180 employees in the Des Moines area participated in two Habitat for Humanity projects:

- Rock the Block, which helps low-income residents with needed home repairs, safety enhancements, accessibility improvements and beautification
- A home build, creating a new home for a family in need



FINANCIAL LITERACY



As a company that helps millions of people achieve their financial goals, The Principal understands the importance of financial literacy. We believe that creating savvy financial consumers requires starting early—in childhood.

That's why The Principal helps educate kids on a variety of financial topics. In the 2011-2012 school year, for instance, nearly 1,200 students in the Des Moines area went through the Iowa Financial Literacy Program. The program is financially supported by The Principal and powered by EverFi - Financial Literacy™. The EverFi program brings complex financial concepts to life, helping students develop the skills and knowledge to make informed and effective personal finance decisions.

Topics included:

- Savings
- Banking
- Payment types
- Credit scores
- Paying for college
- Renting vs. owning
- Taxes and insurance
- Consumer fraud
- Investing

DES MOINES B-CYCLE™



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The Principal has a long history of offering wellness opportunities to employees. We also have a strong commitment to supporting wellness in the communities in which we do business.

For example, The Principal is a sponsor of Des Moines B-Cycle™, a new bicycle sharing program that emphasizes fitness, eco-friendly transportation and a new way to travel in and around downtown Des Moines.

B-Cycle users took more than 2,300 trips in 2012. The Principal added a public B-Cycle station to its corporate campus in May 2012.

DISASTER RELIEF

One of the ways The Principal gives back to the communities in which we operate is by providing support in times of trouble.

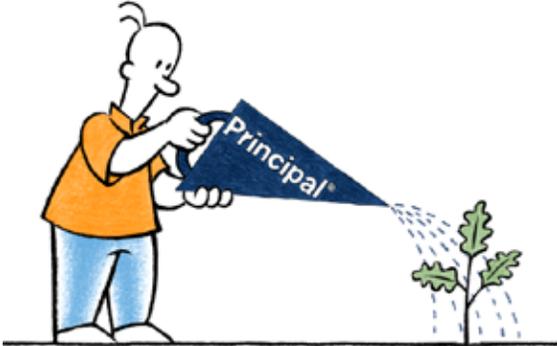
- When a devastating earthquake—the fifth largest in recorded history—struck Chile on Feb. 27, 2010, The Principal was there to help. Principal Chile organized a volunteer effort to help people whose homes were destroyed in the town of Hualañé, near the epicenter. More than 140 Principal Chile employees, family members and friends traveled to Hualañé in April 2010 and built 22 homes for survivors of the quake.
- During the devastating floods of 2008, which affected several communities in the Midwest U.S. where many of our employees work and live, The Principal matched employee gifts and encouraged employees to volunteer. Donations to affected areas with the company match totaled more than \$1.3 million.
- And more recently, The Principal made donations of more than \$150,000 to benefit victims of Hurricane Sandy, including matching employee gifts.

Over the past three years The Principal has proactively contributed more than \$150,000 outside of disasters to fund the Red Cross's early response efforts.

PROTECTING THE ENVIRONMENT

At The Principal, our concern and support for the natural environment is an extension of our core value of integrity.

While we've pursued sustainable efforts for many years, The Principal formalized its commitment in 2008. We created a sustainability committee made up of employees from across the company. The team's purpose is to advocate for environmental responsibility throughout the organization.



Environmentally responsible building and property management

In 2009, we earned one of the first LEED® certifications in Des Moines when The Principal Child Development Center earned Gold LEED certification. We're also currently pursuing LEED-Existing Building certification for 801 Grand, one of our commercial properties and the tallest building in Iowa.

In partnership with our property manager, The Principal is also pursuing Green Globe certification—which has requirements similar to LEED certification—for many of its buildings in Des Moines. And we're pursuing ENERGY STAR® recognition for all of our corporately owned and occupied buildings.

We've also made a significant effort to consolidate our offices across the United States in order to minimize our carbon footprint. For example, in many cities where our employees may have been in two or more locations, they're now co-housed with other employees from other business divisions working in the same city. In the past eight years, we've consolidated 66 offices to 33.

The Principal won the Greater Des Moines Partnership's Environmental Impact Award (large business category) in 2011.

Paper management

The Principal has introduced many paper reduction initiatives over the years. These efforts have significantly reduced the amount of paper used within our business.

For the paper we do use, we strive to use paper that comes from sustainably managed forests. In 2010, The Principal earned "chain of custody" certifications for our Print-to-Mail facility in Urbandale, Iowa, from the Forest Stewardship Council™, the Sustainable Forestry Initiative and the Programme for the Endorsement of Forest Certification.

Recycling and waste management

The Principal has recycled for a number of years and continues to make enhancements to reduce the amount of waste generated by our company. Through our recycling program, we collect paper, cardboard, aluminum and plastic.

In 2012, The Principal significantly reduced the amount of waste going to the landfill by requiring the shredding of all office paper. In 2011, only 25 percent of waste was diverted from the landfill. This increased to 65 percent in 2012. This means we recycled 600 more tons of waste in 2012 than the prior year.

Transportation

The Principal provides bus usage and ride share subsidies in Des Moines, and employees have access to unlimited usage of the bus system at no cost to them.

Principal Real Estate Investors was named one of the greenest real estate companies in the United States by *Commercial Property Executive* in 2012.



LEARN MORE

At The Principal, our support of our customers, employees, partners and communities changes as their needs change.

- To find out more about our social responsibility efforts—and for more information on grant applications—visit principal.com/about/social/index.htm.
- To learn about recognition we've received for workplace excellence, community involvement, environmental practices, customer service, etc., see our current [Company Profile](#).



The Principal Financial Group®
Social Responsibility Report – 2012