

PRINCIPAL FINANCIAL GROUP INC
Form DEF 14A
April 10, 2013

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under §240.14a-12

PRINCIPAL FINANCIAL GROUP, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - (1) Title of each class of securities to which transaction applies:
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(1) Amount Previously Paid:

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(3) Filing Party:

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April 10, 2013

Dear Shareholder:

You are cordially invited to attend the annual meeting of shareholders on Tuesday, May 21, 2013, at 9:00 a.m., Central Daylight Time, at 711 High Street, Des Moines, Iowa.

The notice of annual meeting and proxy statement provide an outline of the business to be conducted at the meeting. I will also report on the progress of the Company during the past year and answer shareholder questions.

We encourage you to read this proxy statement and vote your shares. You do not need to attend the annual meeting to vote. You may complete, date and sign a proxy or voting instruction card and return it in the envelope provided (if these materials were received by mail) or vote by using the telephone or the Internet. Thank you for acting promptly.

Distribution of annual meeting materials

As we've done in the past, The Principal is taking advantage of the Securities and Exchange Commission's rule that allows companies to furnish proxy materials for the annual meeting via the Internet to registered shareholders. For each shareholder selecting to receive these materials electronically in the future, the Principal Financial Group and the Arbor Day Foundation will plant the same number of trees in a U.S. forest. In 2012, 1,870 trees were planted.

Sincerely,

LARRY D. ZIMPLEMAN
Chairman, President and Chief Executive Officer

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PRINCIPAL FINANCIAL GROUP, INC.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

May 21, 2013

The annual meeting of shareholders of Principal Financial Group, Inc. (the "Company") will be held at 711 High Street, Des Moines, Iowa, on Tuesday, May 21, 2013, at 9:00 a.m., Central Daylight Time. Matters to be voted on are:

1. Election of four Class III Directors;
2. A proposal for the annual election of Directors;
3. An advisory vote to approve executive compensation;
4. Ratification of the appointment of Ernst & Young LLP as the Company's independent auditors for the year ending December 31, 2013; and
5. Such other matters as may properly come before the meeting.

These items are fully described in the proxy statement, which is part of this notice. The Company has not received notice of other matters that may be properly presented at the annual meeting.

Shareholders of record at the close of business on March 25, 2013, are entitled to vote at the meeting. It is important that your shares be represented and voted at the meeting. Whether or not you plan to attend the meeting, please vote in one of the following ways:

By telephone: call the toll-free telephone number shown on the proxy or voting instruction card or the instructions in the email message that notified you of the availability of the proxy materials;

Through the Internet: visit the website noted below and in the notice of Internet availability of proxy materials shareholders received by mail, or on the proxy or voting instruction card, or in the instructions in the email message that notified you of the availability of the proxy materials; or

Complete, sign and promptly return a proxy or voting instruction card in the postage-paid envelope provided.

Shareholders will need to register at the meeting and present photo identification to attend the meeting. If your shares are not registered in your name (for example, you hold the shares through an account with your stockbroker), you will need to bring proof of your ownership of those shares to the meeting in order to register. You should ask the broker, bank or other institution that holds your shares to provide you with either a copy of an account statement or a letter that shows your ownership of Principal Financial Group, Inc. common stock on March 25, 2013. Please bring that documentation to the meeting to register.

By Order of the Board of Directors

JOYCE N. HOFFMAN

Senior Vice President and Corporate Secretary

April 10, 2013

Important Notice Regarding Availability of Proxy Materials for the Shareholder Meeting to be held on May 21, 2013. The 2012 Annual Report, 2013 Proxy Statement and other proxy materials are available at www.investorvote.com. Your vote is important! Please take a moment to vote by Internet, telephone or proxy card as explained in the *How Do I Vote* sections of this document.

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PROXY STATEMENT

PRINCIPAL FINANCIAL GROUP, INC.

**711 HIGH STREET
DES MOINES, IOWA 50392-0100**

QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING

Why didn't I receive a copy of the paper proxy materials?

The Securities and Exchange Commission ("SEC") rules allow companies to deliver a notice of Internet availability of proxy materials to shareholders and provide Internet access to those proxy materials. Shareholders may obtain paper copies of the proxy materials free of charge by following the instructions provided in the notice of Internet availability of proxy materials.

Why did I receive notice of and access to this proxy statement?

The Board of Directors ("Board") of Principal Financial Group, Inc. ("Company") is soliciting proxies to be voted at the annual meeting of shareholders to be held on May 21, 2013, at 9:00 a.m., Central Daylight Time, at 711 High Street, Des Moines, Iowa, and at any adjournment or postponement of the meeting ("Annual Meeting"). When the Board asks for your proxy, it must send or provide you access to proxy materials that contain information required by law. These materials were first made available, sent or given to shareholders on April 10, 2013.

What is a proxy?

It is your legal designation of another person to vote the stock you own. The other person is called a proxy. When you designate someone as your proxy in a written document, that document is also called a proxy or a proxy card. The Company has designated three of the Company's officers to act as proxies for the 2013 Annual Meeting: Joyce N. Hoffman, Senior Vice President and Corporate Secretary; Terrance J. Lillis, Senior Vice President and Chief Financial Officer; and Karen E. Shaff, Executive Vice President and General Counsel.

What will the shareholders vote on at the Annual Meeting?

- Election of four Directors for three year terms;
- A proposal for the annual election of Directors;
- An advisory vote to approve executive compensation; and
- Ratification of the appointment of independent auditors.

Will there be any other items of business on the agenda?

The Company does not expect any other items of business because the deadline for shareholder proposals and nominations has passed. However, if any other matter should properly come before the meeting, the people authorized by proxy will vote according to their best judgment.

Who can vote at the Annual Meeting?

Shareholders as of the close of business on March 25, 2013 ("Record Date") can vote at the Annual Meeting.

How many votes do I have?

You will have one vote for every share of Company common stock ("Common Stock") you owned on the Record Date.

What constitutes a quorum?

One-third of the outstanding shares of Common Stock as of the Record Date. On the Record Date, there were 293,496,776 shares of Common Stock outstanding. A quorum must be present, in person or by proxy, before any action can be taken at the Annual Meeting, except an action to adjourn the meeting.

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How many votes are required for the approval of each item?

Each nominee for Director will be elected if there are more votes for the nominee than votes against the nominee. Directors are elected by the majority of votes cast in uncontested Director elections.

The proposal for the annual election of Directors will be approved if at least three-fourths of the outstanding shares of Common Stock that are entitled to vote on the proposal are cast for the proposal.

The advisory vote to approve the Company's executive compensation will be approved if there are more votes for the proposal than against the proposal.

The appointment of the independent auditors will be ratified if there are more votes for the proposal than votes against the proposal.

Abstentions and broker non-votes will be treated as being present at the meeting for the purpose of determining a quorum but will not be counted as votes for the proposals. They have no impact on the Director nominees, the advisory vote to approve executive compensation or ratification of independent auditors, and are the equivalent of an "against" vote on the proposal for the annual election of Directors.

What are Broker Non-votes?

If your shares are held in a brokerage account, your broker will ask you how you want your shares to be voted. If you give your broker directions, your shares will be voted as you direct. If you do not give directions, the broker may vote your shares on routine items of business, but not on non-routine items. Proxies that are returned by brokers because they did not receive directions on how to vote on non-routine items are called "broker non-votes."

How do I vote by proxy?

Shareholders of record may vote by mail, by telephone or through the Internet. Shareholders may vote "for," "against" or "abstain" from voting for each of the Director nominees, the proposal on the annual election of Directors, the advisory vote to approve executive compensation and the proposal to ratify the appointment of the independent auditors.

By Mail. Sign and date each proxy or voting instruction card you receive and return it in the prepaid envelope. Sign your name exactly as it appears on the proxy. If you are signing as a representative (for example, as an attorney-in-fact, executor, administrator, guardian, trustee or an officer or agent of a corporation or partnership), indicate your name and your title or capacity. If the stock is held in custody for a minor, the custodian should sign, not the minor. If the stock is held in joint ownership, one owner may sign on behalf of all owners.

By Telephone. Follow the instructions on the proxy or voting instruction card or the instructions in the email message that notified you of the availability of the proxy materials. If you vote by telephone, do not return your proxy or voting instruction card. Telephone voting for proxy cards will be available until 1:00 a.m., Central Daylight Time, on May 21, 2013, and until 1:00 a.m., Central Daylight Time, on May 17, 2013, for voting instruction cards.

Through the Internet. You may vote on line at www.investorvote.com. Follow the instructions provided in the notice of Internet availability of proxy materials or on the proxy or voting instruction card. If you vote through the Internet, do not return your proxy or voting instruction card. Internet voting for proxy cards will be available until 1:00 a.m., Central Daylight Time, on May 21, 2013, and until 1:00 a.m., Central Daylight Time, on May 17, 2013, for voting instruction cards.

How do I vote shares that are held by my broker?

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If you own shares held by a broker, you may direct your broker or other nominee to vote your shares by following the instructions that your broker provides to you. Most brokers offer voting by mail, telephone and through the Internet.

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How do I vote in person?

If you are going to attend the Annual Meeting, you may vote your shares in person. However, we encourage you to vote in advance of the meeting by mail, telephone or through the Internet even if you plan to attend the meeting.

How do I vote my shares held in the Company's 401(k) plan?

The trustees of the plan will vote your shares in accordance with the directions you provide by voting on the voting instruction card or the instructions in the email message that notified you of the availability of the proxy materials. Shares for which voting instructions are not received are voted in the discretion of the trustees.

How are shares held in the Demutualization separate account voted?

The Company became a public company on October 26, 2001, when Principal Mutual Holding Company converted from a mutual insurance holding company to a stock company (the "Demutualization") and the initial public offering of shares of the Company's Common Stock was completed. The Company issued Common Stock to Principal Life Insurance Company ("Principal Life"), and Principal Life allocated this Common Stock to a separate account that was established to fund policy credits received as Demutualization compensation by certain employee benefit plans that owned group annuity contracts. Although Principal Life will vote these shares, the plans give Principal Life voting directions. A plan may give voting directions by following the instructions on the voting instruction card or the instructions in the message that notified you of the availability of proxy materials. Principal Life will vote the shares as to which it received no direction in the same manner, proportionally, as the shares in the Demutualization separate account for which it has received instructions.

Who counts the votes?

Votes will be counted by Computershare Trust Company, N.A.

What happens if I do not vote on an issue when returning my proxy?

If no specific instructions are given, proxies that are signed and returned will be voted as the Board of Directors recommends: "For" the election of all Director nominees, "For" the proposal on the annual election of Directors, "For" approval of the Company's executive compensation and "For" the ratification of Ernst & Young LLP as independent auditors.

How do I revoke my proxy?

If you hold your shares in street name, you must follow the instructions of your broker or bank to revoke your voting instructions. Otherwise, you can revoke your proxy or voting instructions by voting a new proxy or instruction card or by voting at the meeting.

What should I do if I want to attend the Annual Meeting?

Please bring photo identification and, if your stock is held by a broker or bank, evidence of your ownership of Common Stock as of March 25, 2013. The notice of Internet availability of proxy materials you received in the mail, a letter from your broker or bank or a photocopy of a current account statement will be accepted as evidence of ownership.

How do I contact the Board?

The Company has a process for shareholders and all other interested parties to send communications to the Board through the Presiding Director. You may contact the Presiding Director of the Board through the Investor Relations section of the Company's website at www.principal.com, or by writing to:

Presiding Director, c/o Joyce N. Hoffman, Senior Vice President and Corporate Secretary
Principal Financial Group, Inc.
Des Moines, Iowa 50392-0300

All emails and letters received will be categorized and processed by the Corporate Secretary and then sent to the Company's Presiding Director.

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How do I submit a shareholder proposal for the 2014 Annual Meeting?

The Company's next annual meeting is scheduled for May 20, 2014. Proposals should be sent to the Corporate Secretary. Proposals to be considered for inclusion in next year's proxy statement must be received by December 11, 2013. In addition, the Company's By-Laws provide that any shareholder wishing to propose any other business at the annual meeting must give the Company written notice between January 21, 2014 and February 24, 2014. That notice must provide other information as described in the Company's By-Laws, which are on the Company's website, www.principal.com.

What is "householding?"

We send shareholders of record at the same address one copy of the proxy materials unless we receive instructions from a shareholder requesting receipt of separate copies of these materials.

If you share the same address as multiple shareholders and would like the Company to send only one copy of future proxy materials, please contact Computershare Trust Company, N.A. at 866-781-1368, or P.O. Box 43078, Providence, RI 02940-3078. You can also contact Computershare to receive individual copies of all documents.

Where can I receive more information about the Company?

We file reports and other information with the SEC. This information is available on the Company's website at www.principal.com and at the Internet site maintained by the SEC at www.sec.gov. You may also contact the SEC at 1-800-SEC-0330. The Audit, Finance, Human Resources and Nominating and Governance Committee charters, the Company's Corporate Governance Guidelines, and the Corporate Code of Business Conduct and Ethics are also available on the Company's website, www.principal.com.

The Board urges you to exercise your right to vote by using the Internet or telephone or by returning the proxy or voting instruction card.

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PROPOSAL ONE ELECTION OF DIRECTORS

The Board is divided into three classes with each class having a three year term. All of the nominees are currently Directors of the Company.

Nominees for Class III With Terms Expiring in 2016

Michael T. Dan

Age: 62

Director since: 2006

Committees: Human Resources (Chair)

Public Directorships/Past 5 Years The Brink's Company

Mr. Dan was Chairman, President and Chief Executive Officer of The Brink's Company, a global provider of secure transportation and cash management services, from 1999 - 2011. The Brink's Company had 70,000 employees worldwide, operations in over 100 countries and \$3.8 billion in revenue in 2011. Prior to joining Brink's, Mr. Dan served as president of Armored Vehicle Builder, Inc.

SKILLS AND QUALIFICATIONS: In addition to leading and being responsible for financial management of Brink's, Mr. Dan has executive-level experience in international operations, risk management, strategic planning, brand management, executive compensation, customer service, marketing and mergers and acquisitions.

He studied business and accounting at Morton College in Cicero, Illinois, and completed the advanced management program at Harvard Business School.

C. Daniel Gelatt

Age: 65

Director since: 1988 (Principal Life), 2001 (the Company)

Committees: Audit, Strategic Issues (Chair)

Public Directorships/Past 5 Years None

Dr. Gelatt has been President of NMT Corporation since 1987. NMT is an industry leader in mobile mapping and workforce automation software and has been providing graphic imaging services to clients worldwide for more than 40 years. He was an Assistant Professor from 1975-1979 in the Physics Department at Harvard University, where he earned his Ph.D., and was a research manager at the IBM T.J. Watson Research Center before joining the Gelatt companies in 1982.

SKILLS AND QUALIFICATIONS: In addition to leading and having financial responsibility for NMT and other Gelatt privately-owned companies, he has an extensive background in software and non-linear optimization and executive-level experience in product development, marketing and strategic planning.

He earned his bachelor's and master's degrees at the University of Wisconsin and his MA and Ph.D. at Harvard University.

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Sandra L. Helton

Age: 63

Director since: 2001

Committees: Audit (Chair), Finance, Executive

Public Directorships/Past 5 Years Covance, Inc. (current), Lexmark International, Inc. (current)

Ms. Helton was Executive Vice President and Chief Financial Officer Telephone and Data Systems, Inc. ("TDS"), a diversified telecommunications organization that includes United States Cellular Corporation, from 1998 through 2006. As of December 31, 2006, TDS served 7 million customers/units in 36 states with annual revenues of \$4.5 billion. In her role, Ms. Helton had responsibility for the Finance, Information Technology, Strategic Planning, Corporate Communications, and Corporate Secretary functions. Prior to joining TDS, Ms. Helton spent 26 years with Corning Incorporated, where she held engineering, strategy and finance positions, including Senior Vice President and Treasurer from 1991-1997. She also served as Vice President and Corporate Controller of Compaq Computer Corporation from 1997-1998.

SKILLS AND QUALIFICATIONS: Ms. Helton has global executive-level experience in corporate strategy, finance, accounting and control, treasury, investments, information technology and other corporate administrative functions, as well as extensive corporate governance experience.

Ms. Helton graduated from the University of Kentucky in 1971 with a B.S. degree in mathematics, summa cum laude, and earned an S.M. degree from Massachusetts Institute of Technology's Sloan School in 1977 with double majors in Finance and Planning & Control.

Larry D. Zimpleman

Age: 61

Director since: 2006

Committees: Executive (Chair)

Public Directorships/Past 5 Years None

Mr. Zimpleman has been Chairman, President and Chief Executive Officer of the Company and Principal Life since May 2009, and was President and Chief Executive Officer of the Company and Principal Life from May 2008 - May 2009. He was President and Chief Operating Officer of the Company and Principal Life from June 2006 to May 2008 and President, Retirement and Investor Services of the Company and Principal Life from December 2003 to June 2006. He joined Principal Life in 1971 as an actuarial intern.

SKILLS AND QUALIFICATIONS: In addition to leading the Company and Principal Life as Chief Executive Officer since 2008, Mr. Zimpleman is a member of the boards of directors of the American Council of Life Insurers and the Financial Services Roundtable and chairs the board of trustees of Drake University. He is Vice Chair of the Iowa Business Council and formerly chaired the Principal Funds Board of Directors.

He earned a bachelor's degree and master's degree in business administration from Drake University in Des Moines, Iowa.

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Continuing Class I Directors With Terms Expiring in 2014

Betsy J. Bernard

Age: 57

Director since: 1999 (Principal Life), 2001 (the Company)

Committees: Nominating and Governance (Chair), Human Resources, Executive

Public Directorships/Past 5 Years Telular Corporation (Chair) (current), Zimmer Holdings, Inc. (current), BearingPoint, United Technologies Corporation, URS Corporation

Ms. Bernard was President of AT&T from October 2002 until December 2003 where she led more than 50,000 employees with AT&T Business, then a nearly \$27 billion organization serving four million business customers. She was Chief Executive Officer of AT&T Consumer 2001-2002, which served about 40 million consumers and contributed \$11.5 billion to AT&T's normalized revenue in 2002. She was head of the consumer and small-business division as Executive Vice President National Mass Markets at Qwest Communications from 2000-2001, and responsible for all retail markets at U S West as Executive Vice President Retail from 1998 2000.

SKILLS AND QUALIFICATIONS: In addition to leading and being responsible for financial management of AT&T, Ms. Bernard has executive-level experience in brand management, marketing to individuals and small businesses, sales, customer care, operations, product management, electronic commerce, executive compensation, strategic planning, technology and mergers and acquisitions.

She earned her bachelor's degree from St. Lawrence University, a master's degree in business administration from Fairleigh Dickinson University, and an MA from Stanford University in the Sloan Fellow Program.

Jocelyn Carter-Miller

Age: 55

Director since: 1999 (Principal Life), 2001 (the Company)

Committees: Finance (Chair), Nominating and Governance

Public Directorships/Past 5 Years Interpublic Group of Companies, Inc. (current), Netgear, Inc. (current)

Ms. Carter-Miller has been President of TechEd Ventures since 2005, a community and personal empowerment firm that develops and markets educational and community-based programs. She was Executive Vice President and Chief Marketing Officer of Office Depot, Inc. from February 2002 until March 2004, with responsibility for the company's marketing for its 846 superstores, contract, catalog and e-commerce businesses in the United States and Canada and operations in 15 other countries. Before joining Office Depot, she was Corporate Vice President and Chief Marketing Officer of Motorola, Inc. with overall responsibility for marketing across its \$30 billion revenue base and diverse businesses. She also had general management responsibility while at Motorola for network operations in Latin America, Europe, the Middle East and Africa. Prior to joining Motorola, she was Vice President, Marketing and Product Development at Mattel, Inc.

SKILLS AND QUALIFICATIONS: In addition to her marketing leadership background, Ms. Carter-Miller has executive-level experience in brand management, advertising, sales, multinational companies, international operations, mergers and acquisitions, product development, project management, strategic planning, technology and leadership development and training. She is also a certified public accountant.

She earned her B.S. in Accounting at the University of Illinois and an MBA in Finance and Marketing at the University of Chicago.

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Gary E. Costley

Age: 69

Director since: 2002

Committees: Audit, Finance, Strategic Issues

Public Directorships/Past 5 Years Covance, Inc. (current), Prestige Brand Holdings, Inc. (Lead Director) (current), Tiffany & Co. (current), Accelrys, Inc., Pharmacoepia Drug Discovery, Inc.

Dr. Costley was Chairman and Chief Executive Officer of International Multifoods Corporation, a manufacturer and marketer of branded consumer food and food service products, from November 1997 until June 2004. Following his retirement from International Multifoods, which had just under \$1 billion in sales in 2003, he was a co-founder and managing director of C & G Capital Management which provided capital and management to health, medical and nutritional products and services companies until May 2009. He was Dean of the Babcock Graduate School of Management at Wake Forest University in Winston-Salem, North Carolina, from 1995-1997 and taught business ethics during his tenure as a professor of management. Dr. Costley also had 24 years with Kellogg Company from 1970-1994 where he most recently was President of Kellogg North America.

SKILLS AND QUALIFICATIONS: In addition to leading and being responsible for financial management of International Multifoods and Kellogg North America, Dr. Costley has executive-level experience in brand management, marketing, sales, distribution, international operations, public affairs, corporate development, strategic planning, technology, quality management, executive compensation and mergers and acquisitions, and has taught business ethics.

He attended Oregon State University where he earned his bachelor's and master's degrees and a Ph.D.

Dennis H. Ferro

Age: 67

Director since: 2010

Committees: Audit, Finance, Strategic Issues

Public Directorships/Past 5 Years NYMAGIC, Inc.

Mr. Ferro served as President and Chief Executive Officer of Evergreen Investment Management Company, an asset management firm, from 2003 to 2008. Evergreen had assets under management of \$175 billion on December 31, 2008, served more than four million individual and institutional investors through management of a broad range of investment products including institutional portfolios, mutual funds, variable annuities and other investments, and was led by 300 investment professionals. Mr. Ferro was the Chief Investment Officer of Evergreen from 1999 to 2003. From 1994-1999, he was Executive Vice President of Zurich Investment Management Ltd. and Head of International Equity Investments, and from 1991-1994 was Senior Managing Director of CIGNA International Investments. Prior to 1991, he held positions with Bankers Trust Company in Japan, as President and Managing Director, and in Florida and New York. Mr. Ferro is a member of the Investment Committee of the American Bankers Association. During 2009 - 2012, Mr. Ferro served as a corporate Director and Chairman of the Investment Committee of the New York Marine and General Insurance Company, a subsidiary of NYMAGIC, Inc.

SKILLS AND QUALIFICATIONS: In addition to leading and being responsible for financial management of Evergreen Investment Management Company, Mr. Ferro has executive-level experience in asset management, investment portfolio management, financial services, international operations, product development, marketing and distribution, strategic planning, executive compensation, risk management and mergers and acquisitions.

He earned a bachelor's degree from Villanova University and an MBA in finance from St. John's University. Mr. Ferro is a Chartered Financial Analyst ("CFA").

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Continuing Class II Directors With Terms Expiring in 2015

Richard L. Keyser

Age: 70

Director since: 2002

Committees: Human Resources, Nominating and Governance

Public Directorships/Past 5 Years Zebra Technologies Corporation (current), W.W. Grainger, Inc., Rohm and Haas Company

Mr. Keyser was Chairman Emeritus of W.W. Grainger, Inc., an international distributor of products used by businesses to maintain, repair and operate their facilities, from April 2009 – April 2010. He had been Chairman of the Board of Grainger since September 1997 and served as Grainger's Chief Executive Officer from March 1995 – May 2008. Previously he was President and Chief Executive Officer from March 1995 – September 1997, as well as President and Chief Operating Officer from March 1994 – March 1995. Mr. Keyser was honored as the National Association of Corporate Directors 2010 Public Company Director of the Year.

SKILLS AND QUALIFICATIONS: In addition to leading and being responsible for financial management of Grainger, which had sales of \$6.4 billion in 2007, Mr. Keyser gained executive-level experience at Grainger in international operations, notably China and Mexico, operational excellence, customer service, integrated distribution networks, marketing to individuals, businesses and institutions, electronic commerce, executive compensation, strategic planning, and mergers and acquisitions.

He earned his bachelor's degree in nuclear science at the U.S. Naval Academy and a master's degree in business administration at Harvard University.

Luca Maestri

Age: 49

Director since: February 1, 2012

Committees: Audit, Finance

Public Directorships/Past 5 Years None

Mr. Maestri has been Corporate Controller of Apple Inc., which designs and markets mobile communication and media devices and personal computers, since March 2013.

He was Chief Financial Officer and an Executive Vice President of Xerox Corporation from February 2011 – February 2013 and Chief Financial Officer of Nokia Siemens Networks from 2008 – February 2011. Before joining Nokia, he held senior executive finance positions with General Motors Corporation. A 20-year employee of GM, he served as CFO of GM Europe and GM Brazil, and was executive-in-charge of the Fiat Alliance for GM Europe in Switzerland. Earlier in his career, Mr. Maestri was CFO of GM Thailand, director of operations analysis for GM Asia Pacific, and CFO of GM Ireland.

SKILLS AND QUALIFICATIONS: Mr. Maestri has financial management experience, currently serving as the Corporate Controller of Apple, which had \$156.5 billion in revenues for fiscal year 2012.

He was the Chief Financial Officer of Xerox until February 28, 2013, which had \$22.4 billion in revenues in 2012. He was responsible for all finance, treasury, investor relations, risk management, mergers and acquisitions, tax, and audit operations at Xerox. In addition to also serving as a chief financial officer at Nokia Siemens Networks and in various other financial management roles at General Motors, Mr. Maestri has extensive international and general management experience.

Mr. Maestri received a bachelor's degree in economics from LUISS University in Rome in 1988, and a master's degree in science of management from Boston University in 1991.

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Elizabeth E. Tallett

Age: 63

Director since: 1992 (Principal Life), 2001 (the Company)

Committees: Human Resources, Nominating and Governance, Executive

Public Directorships/Past 5 Years Coventry Health Care, Inc. (current), Meredith Corporation (current), Qiagen, N. V., (current), Immunicon, Inc., IntegraMed America, Inc., Varian, Inc. and Varian Semiconductor Equipment Associates, Inc.

Ms. Tallett has been Presiding Director since 2007 and has also served as Alternate Presiding Director.

Ms. Tallett has been a Principal of Hunter Partners, LLC, a management company for early to mid-stage pharmaceutical, biotech and medical device companies, since July 2002. She has more than 30 years' experience in the biopharmaceutical and consumer industries.

SKILLS AND QUALIFICATIONS: Ms. Tallett's senior management experience includes President and Chief Executive Officer of Transcell Technologies, Inc., President of Centocor Pharmaceuticals, member of the Parke-Davis Executive Committee, and Director of Worldwide Strategic Planning for Warner-Lambert. In addition to her leadership and financial management in pharmaceutical and biotechnology firms, she has executive-level experience in multinational companies, international operations, economics, strategic planning, marketing, product development, technology, executive compensation and mergers and acquisitions.

She received a bachelor's degree with honors in mathematics and economics from the University of Nottingham in England.

The Board of Directors recommends that shareholders vote "For" all of the nominees for election at the Annual Meeting.

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PROPOSAL TWO ANNUAL ELECTION OF DIRECTORS

The Board of Directors is recommending that shareholders vote "For" the proposal to implement the annual election of Directors, on a phased-in basis, as set forth below.

The Certificate of Incorporation is the governing document that describes how the Company is organized under Delaware law. The Certificate of Incorporation requires that the Directors be divided into three classes of approximately equal size, and that the classes of Directors be elected to serve staggered three-year terms. This is commonly referred to as a "classified board" structure, with only a portion of the full board standing for election each year.

The Company adopted a classified board structure as part of our Demutualization and initial public offering in 2001. The Board of Directors recognized the advantages of a classified board structure in promoting continuity and stability in board membership. This continuity and stability allows the Company to pursue its strategy and the Board to focus on long term growth for the benefit of all shareholders. If only a portion of the Directors can be replaced in a single year's election, the Board's negotiating leverage is increased when dealing with a potential acquirer of the Company that may have a short term focus.

The Nominating and Governance Committee and the Board regularly look at the Company's corporate governance practices for continued effectiveness in the current environment. The Committee and the Board undertook a careful review of the classified board structure, including the often cited disadvantage that it does not afford shareholders the opportunity to evaluate and hold directors accountable on an annual basis. The Nominating and Governance Committee and the Board recognized that there are both advantages and disadvantages to a classified board structure, that corporate governance trends indicate companies are moving away from classified boards and that the Principal Financial Group is committed to good corporate governance.

The Board of Directors submitted a proposal for the annual election of Directors to be voted on at the 2011 Annual Meeting. The proposal did not receive the required approval of at least three-fourths of the outstanding shares, as required by the Certificate of Incorporation, and was not adopted. The Board's 2011 proposal provided that all current Directors would serve one more three-year term, then all Directors would be elected annually thereafter. If it had been approved by shareholders, the 2011 proposal would have resulted in all Directors being elected annually by 2016. Now, the Board is submitting a new proposal for the annual election of Directors which, if approved by shareholders, would also result in the annual election of all Directors by 2016. In addition, if the proposal is approved, a majority of the positions on the Board of Directors would be subject to election to one year terms at the 2015 Annual Meeting.

The Board of Directors recommends the amendments to the Company's Certificate of Incorporation set forth in Appendix A to fully implement the annual election of Directors by 2016. If these amendments are approved at the Annual Meeting, the declassified Board structure would be phased-in as follows: The Class III Directors elected at this Annual Meeting will be elected for three-year terms, the Class II Directors elected at the 2012 Annual Meeting will complete their current three-year terms, and the Class I Directors elected in 2014 and all Directors elected thereafter will be elected for one-year terms. This results in the annual election of all Directors by 2016. In addition, in accordance with Delaware law and once the annual election of Directors is fully implemented under the Board's proposal, Directors may be removed by the vote of shareholders with or without cause.

Delaware law provides that the shareholders must approve this recommendation of the Board of Directors to amend the Certificate of Incorporation before the amendments and these changes can be effective. The Certificate of Incorporation requires that at least three-fourths of the outstanding shares entitled to vote on this proposal approve the proposal for it to be adopted. If approved by the shareholders, the amendments to the Certificate of Incorporation will be effective upon filing with the Delaware Secretary of State, the Board of Directors will make conforming changes to the Company's By-Laws and the annual election of Directors will be implemented on a phased-in basis as described in this proposal.

The Board of Directors recommends that the shareholders vote "For" this resolution: RESOLVED, that the Company's Certificate of Incorporation be amended as set forth in Appendix A.

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CORPORATE GOVERNANCE

The Principal Financial Group® is a global investment management leader offering businesses, individuals and institutional clients a wide range of financial products and services, including retirement services, insurance solutions and asset management. The business of the Company is managed under the direction of the Board. The Board selects, and provides advice and counsel to, the Chief Executive Officer ("CEO") and generally oversees management. The Board reviews and discusses the strategic direction of the Company, oversees risk and monitors the Company's performance against goals the Board and management establish.

Board Leadership Structure

The Board currently has a combined position of Chairman of the Board and CEO, held by Larry D. Zimpleman, and a Presiding Director, Elizabeth E. Tallett. Betsy J. Bernard is the Alternate Presiding Director. The Presiding Director is selected by the other independent Directors and the position does not automatically rotate. The Nominating and Governance Committee reviews the assignments as Presiding Director and Alternate Presiding Director annually. The Board regularly reviews its leadership model and is flexible about whether the positions of CEO and Chairman should be separate or combined. The decision is based on the tenure and experience of the CEO and the broader economic and operating environment of the Company. The Company has followed a pattern of separating the roles of Chairman of the Board and CEO during periods of management transition, with the prior Chairman retaining that position for a period of time as the newly-appointed CEO assumes new responsibilities as the Company's chief executive. In the Company's experience, a flexible approach is preferable to an approach that either requires or disallows a combined Chairman/CEO.

The Presiding Director and the Chairman jointly make the decisions on the Board's agenda for each regular quarterly meeting, and the Presiding Director seeks input from the other independent Directors. The Presiding Director and Chairman share the duties of presiding at each Board meeting. The Chairman presides when the Board is meeting as a full Board. The Presiding Director:

Presides when the Chairman is not present and during executive sessions of independent Directors ("Executive Sessions"). Executive Sessions generally occur at the start and end of each regular Board meeting, and were held in conjunction with each regularly scheduled Board meeting during 2012.

Plans and leads the Executive Sessions and provides feedback to the CEO based on these discussions.

Leads the Board's annual self-evaluation of its performance.

Calls special Board meetings if the Chairman and CEO is unable to act for any reason.

Role of the Board in Risk Oversight

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The Board believes that risk oversight is a responsibility of the full Board. The Board weighs risk versus return in the context of the organization's key risks and risk philosophy when approving corporate strategy and major business decisions, setting executive compensation and monitoring the Company's progress. Like all financial services companies, we are exposed to financial, accounting, operational and other business and industry risks. The Board uses its committees for some of its risk oversight responsibilities and the committees report to the Board on these issues:

The Audit Committee:

Assists the Board in oversight of risks related to financial controls, legal, regulatory, compliance and operational risks including the Company's major risk exposures in these areas and the steps management has taken to monitor and control such exposures; and

Reviews the Company's framework and policies with respect to enterprise risk assessment and management ("ERM Program").