PRINCIPAL FINANCIAL GROUP INC
Form DEF 14A
April 09, 2018

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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 ý

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

ý Definitive Proxy Statement

o Definitive Additional Materials

o 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):

ý No fee required.

o 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:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Notice of 2018 Annual Meeting of Shareholders and Proxy Statement

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Dear Fellow Shareholders:

You are invited to attend the annual meeting of shareholders on Tuesday, May 22, 2018, 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. We will also report on the progress of the Company 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, Principal is taking advantage of the Securities and Exchange Commission's rule that allows companies to provide proxy materials for the annual meeting via the Internet to registered shareholders. For each shareholder selecting to receive these materials electronically in the future, Principal and the Arbor Day Foundation will plant the same number of trees in a U.S. forest. In 2017, 1,208 trees were planted.

Sincerely,

Daniel J. Houston
Chairman, President and Chief Executive Officer

April 9, 2018

Notice of Annual Meeting of Shareholders

Meeting Date: Tuesday, May 22, 2018
Time: 9:00 a.m., Central Daylight Time
Location: 711 High Street, Des Moines, Iowa 50392
Agenda:

1. Elect four Class II Directors;
2. Hold an advisory vote to approve the compensation of our named executive officers;
3. Ratify the appointment of Ernst & Young LLP as the Company's independent auditors for 2018; and
4. Transact such other business as may properly come before the meeting.

The Company has not received notice of other matters that may be properly presented at the annual meeting.

You can vote if you were a shareholder of record on March 28, 2018. It is important that your shares be represented and voted at the meeting. Whether or not you plan to attend the meeting, please vote:

Internet	Telephone	Mail
Through the Internet: visit the website noted in the notice of Internet availability of proxy materials shareholders received by mail, 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.	**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.	**Complete, sign and promptly return a proxy or voting instruction card** in the postage paid envelope provided.

If you attend the meeting, you will need to register and present a valid, government issued photo identification. 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 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 28, 2018. Please bring that documentation to the meeting to register.

By Order of the Board of Directors

Karen E. Shaff
Executive Vice President, General Counsel and Secretary

April 9, 2018

IMPORTANT NOTICE REGARDING AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDER MEETING TO BE HELD ON MAY 22, 2018:

The 2017 Annual Report, 2018 Proxy Statement and other proxy materials are available at www.principal.com.

Your vote is important! Please take a moment to vote by Internet, telephone or proxy or voting instruction card as explained in the How Do I Vote sections of this document.

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Director Qualifications, Director Tenure, Process for Identifying and Evaluating Director Candidates and Diversity of the Board

The Nominating and Governance Committee regularly assesses the expertise, skills, backgrounds, competencies and other characteristics of Directors and candidates for Board vacancies considering the current Board makeup and the Company's strategic initiatives, risk factors, and other relevant circumstances. The Committee also assesses Directors' and candidates' personal and professional ethics, integrity, values and ability to contribute to the Board, including current employment responsibilities. In addition to personal attributes, the Board values experience as a current or former senior executive in financial services, in international business and with financial management or accounting responsibilities. Competencies valued by the Board include strategic and results orientation, comprehensive decision making, risk management and an understanding of current technology issues. The Committee periodically uses an outside consultant to assist with this responsibility, and these assessments provide direction in searches for Board candidates and in the evaluation of current Directors. The Committee reviews the performance of each Director whose term is expiring as part of the determination of whether to recommend his or her nomination for reelection to the Board. Input to this process is also received from the other Directors and management and an outside consultant may be engaged to assist with these reviews. Director performance and capabilities are evaluated against the characteristics and considerations noted above. Following the Committee's discussion, the outside consultant, if any, or the Committee Chair provides feedback to the Directors who were evaluated. The Board annually conducts a self-evaluation regarding its effectiveness, and the Audit, Finance, Human Resources and Nominating and Governance Committees also annually evaluate their respective committee's performance.

All Board members have:

- Personal character that supports the Company's core value of integrity;
- Training or experience that is useful to Principal in light of its strategy, initiatives and risk factors; and
- A demonstrated willingness and ability to prepare for, attend and participate effectively in Board and Committee meetings.

Several current independent Directors have led businesses or major business divisions as CEO or President (Ms. Bernard, Mr. Dan, Mr. Ferro, Dr. Gelatt, Mr. Hochschild, Mr. Mills, Ms. Nordin, Mr. Pickerell and Ms. Tallett). The following chart shows areas central to the Company's strategy, initiatives and operations for which independent Directors have specific training and executive level experience that assists them in their responsibilities.

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Though the Board does not have a formal diversity policy, diversity of the Board is a valued objective. Therefore, the Nominating and Governance Committee reviews the Board's needs and diversity in terms of race, gender, national origin, backgrounds, experiences and areas of expertise when recruiting new Directors. The current Board reflects these values, for example, in the gender (45% female) and racial (18% African American) composition of independent directors.

The Board's diversity objective reflects the values of the Company as well. Principal has been recognized as one of the National Association of Female Executives' Top Companies for Executive Women 16 times, and for the third year in a row, earned a perfect score on the Human Rights Campaign Foundation's 2018 Corporate Equality Index. We were also recognized as one of Ethisphere Institute World's Most Ethical Companies for the seventh time. Only seven companies in the financial services industry earned this distinction for 2017, emphasizing their commitment to leading ethical business standards and practices. Other recognition includes Forbes' America's Best Employers for the third consecutive year and Working Mother magazine's 100 Best Companies and we joined the prestigious Hall of Fame this year in celebration of our 15th appearance on the list. We were also named a Best Places for Giving Back, by Great Place to Work, in recognition of our policies regarding paid time off for volunteering and contributions to community and charitable causes through corporate donations and employee fund-matching programs.

The Board's effectiveness benefits from Directors who have the skills, backgrounds and qualifications needed by the Board and who also increase the Board's diversity. Director tenure and Board refreshment are important topics that receive considerable Board focus. The Board believes that its thorough Director performance reviews and healthy Board refreshment processes better serve Principal and its stakeholders than would mandatory term limits. Strict term limits would require that Principal lose the continuing contribution of Directors who have invaluable insight into Principal and its industry, strategies and operations because of their experience. Nevertheless, Directors' terms must not extend past the annual meeting following their 72nd birthday. The tenure of the independent Directors is listed below. The average tenure of Principal's independent Directors is 13 years.

Diane Nordin, a new independent Director, was added to the Board in 2017. Ms. Nordin has executive level experience in accounting and finance, asset and investment management, executive compensation, financial services, marketing, product development, strategic planning and technology. This addition was the result of a lengthy search that included consideration of numerous highly qualified candidates. The search was conducted by the Nominating and Governance Committee, with the assistance of a search firm, and included Ms. Nordin meeting in-person with Dennis Ferro, then Chair of the Nominating and Governance Committee, Lead Director Elizabeth Tallett, Mr. Houston and other members of senior management. The Nominating and Governance Committee then unanimously recommended Ms. Nordin to the full Board of Directors, which appointed Ms. Nordin in October. We anticipate that four additional tenured Directors will be replaced over the next five years, continuing our process of regularly refreshing the talents and perspectives reflected on our Board. The tenure of the Directors, as reflected in the chart above, balances deep knowledge of the Company, its industry and relevant issues, with fresh perspectives and additional expertise, while providing the oversight and independence needed to meet the interests of our shareholders.

Communicating with stakeholders including clients, customers, employees, and investors, has always been an important part of how Principal conducts its business. Principal has had in place for some time a formal engagement process with shareholders around matters of corporate governance. These discussions provide us with helpful insight into shareholders' views on current governance topics, which are then discussed with the Nominating and Governance Committee and the full Board. This continuing process regularly supplements relevant

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communications regarding corporate governance made through the Company's website and by the Investor Relations staff.

The Nominating and Governance Committee will consider shareholder recommendations for Director candidates sent to it c/o the Company Secretary. Director candidates nominated by shareholders are evaluated in the same manner as Director candidates identified by the Committee and search firms it retains. Beginning earlier this year, a stockholder or group of up to 20 stockholders, owning 3% or more of the Company's outstanding Common Stock continuously for at least three years, can nominate director candidates, constituting up to 20% of the Board, in the Company's annual meeting proxy materials.

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Proposal One Election of Directors

The Board has three classes, each having a three-year term. All of the nominees are currently Directors of Principal. We expect that all the nominees will be able and willing to serve if elected. However, if, prior to the annual meeting of shareholders, any nominee should become unable for any reason or unwilling for good cause to serve, proxies may be voted at the 2018 Annual Meeting for another person nominated as a substitute by the Board, or the Board may reduce the number of directors.

Mr. Ferro is not seeking reelection as he has reached Principal's mandatory retirement age for Directors.

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

Nominees for Class II Directors With Terms Expiring in 2021

Diane C. Nordin

Age: 58
Director Since: 2017

Committees: Audit (effective October 25, 2017)
Human Resources (effective October 25, 2017)
Strategic Issues (effective November 28, 2017)

Public Directorships/Past 5 Years: Fannie Mae (Audit and Executive Committees, Chair of the Compensation Committee).

Ms. Nordin was a partner of Wellington Management Company, LLP, a private asset management company, from December 1995 to December 2011, and originally joined Wellington in 1991. Throughout her tenure, Ms. Nordin's responsibilities spanned product management, client relationship management and ultimately the oversight of Wellington's Fixed Income group where she presided over roughly 20 investment approaches and 130 investors globally. During her time at Wellington, Ms. Nordin served as Vice Chair of the Compensation Committee and Audit Chair of the Wellington Management Trust Company. Prior to joining Wellington, she worked at Fidelity Investments and Putnam Advisory. Ms. Nordin is a Director of Fannie Mae (since 2013) where she serves on the Audit Committee and chairs the Compensation Committee. Also, she is a Director of Antares Capital, where she is Chair of the Compensation Committee (since 2016). She is a governor of the CFA Institute (2016 present) where she chairs the Audit and Risk Committee, a Trustee of Wheaton College (since 2010) where she chairs the Investment Committee, and Board member of the Appalachian Mountain Club where she chairs the Investment Committee (2012).

Skills and Qualifications: In addition to her extensive experience in the asset management business, Ms. Nordin has executive level experience in accounting and finance, executive compensation, financial services, international operations, product development, risk management and strategic planning.

Education: Bachelor's degree from Wheaton College. Ms. Nordin is a Chartered Financial Analyst.

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Roger C. Hochschild

Age: 53
Director Since: 2015

Committees: Strategic Issues
Audit
Human Resources

Mr. Hochschild has been the President and Chief Operating Officer of Discover Financial Services since 2004. He served as the Chief Administrative Officer, Executive Vice President and Chief Strategy Officer of Morgan Stanley from 2001 to 2004, Chief Marketing Officer of Discover Financial Services from 1998 to 2001 and a Senior Executive Vice President of MBNA America Bank from 1994 to 1998. He has been a Director for Chicago Public Media since October of 2016.

Skills and Qualifications: Mr. Hochschild has executive level experience in asset and investment management, retail consumer services, executive compensation, financial services, marketing, mergers & acquisitions, product development, risk management and strategic planning.

Education: Bachelor's degree in economics from Georgetown University, M.B.A. from the Amos Tuck School at Dartmouth College.

Daniel J. Houston

Age: 56
Director Since: 2014

Committees: Executive

Former Public Directorships/Past 5 Years: Catalyst Health Solutions, Inc.

Mr. Houston has been Chairman, President and Chief Executive Officer of the Company and Principal Life Insurance Company ("Principal Life") since 2016. Prior to that, he was President and Chief Executive Officer from August 2015 May 2016. He served as President and Chief Operating Officer from November 25, 2014 August 17, 2015. He joined Principal Life in 1984 and had several management positions, being named Senior Vice President in 2006 and President of Retirement and Income Solutions in 2008. He is a member of the boards of directors of the American Council of Life Insurers, Business Roundtable, Iowa Business Council, Greater Des Moines Partnership, Employee Benefits Research Institute, Iowa State University Business School Dean's Advisory Council, Partnership for a Healthier America and Community Foundation of Greater Des Moines.

Skills and Qualifications: Mr. Houston has operational expertise, global awareness, and deep talent leadership skills. During his career with the Company, he has worked in sales, managed numerous businesses and helped lead the transformation of the Company to a global investment management leader. He has extensive operational experience, as well as expertise in risk management, executive compensation, marketing and sales, and mergers and acquisitions.

Education: Bachelor's of science degree from Iowa State University.

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Elizabeth E. Tallett

Age: 69
Director Since: 1992 (Principal Life), 2001 (the Company)

Committees: Human Resources
Nominating and Governance
Executive

Public Directorships/Past 5 Years (all current): Meredith Corporation (Chair of Compensation and Nominating and Governance Committees), Qiagen, N. V. (Audit and Chair of Compensation Committees), Anthem, Inc. (Compensation and Chair of Nominating and Governance Committee)

Former Public Directorships/Past 5 Years: Coventry Health Care, Inc.

Ms. Tallett has been Lead Director since 2007.

Ms. Tallett was Principal of Hunter Partners, LLC, a management company for early to mid stage pharmaceutical, biotech and medical device companies, from July 2002 to Feb 2015. She continues to operate as a consultant to early stage pharmaceutical and healthcare companies. She has more than 30 years' experience in the biopharmaceutical and consumer industries. Ms. Tallett is Chair of the Finance Committee and Treasurer for Solebury School, PA (not for profit).

Skills and Qualifications: Ms. Tallett's senior management experience includes being 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.

Education: Bachelor's degree with honors in mathematics and economics from the University of Nottingham in England.

Continuing Class III Directors With Terms Expiring in 2019

Michael T. Dan

Committees: Human Resources (Chair)
Nominating and Governance

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.

Education: Studied business and accounting at Morton College in Cicero, Illinois, and completed the advanced management program at Harvard Business School.

Age: 67
Director Since: 2006

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C. Daniel Gelatt

Age: 70
Director Since: 1988 (Principal Life),
2001 (the Company)

Committees: Audit
Human Resources

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 analog and digital imaging services to clients worldwide for more than 40 years. He was an Assistant Professor 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. He is a director of TPI Holdings, Inc., nPoint Inc., Trust Point Inc., NMT Corporation and Elmwood Corporation and a Trustee of Viterbo University.

Skills and Qualifications: In addition to leading and having financial responsibility for NMT and other Gelatt privately owned companies, Dr. Gelatt has an extensive background in software and nonlinear optimization and executive level experience in product development, marketing and strategic planning. He is a member of the Association for Computing Machinery and the IEEE.

Education: Bachelor's and master's degrees from the University of Wisconsin and MA and Ph.D. from Harvard University.

Sandra L. Helton

Age: 68
Director Since: 2001

Committees: Audit (Chair)
Finance
Executive

Former Public Directorships/Past 5 Years: Covance, Inc.; Lexmark International, Inc.; OptiNose, Inc.

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. In her role, Ms. Helton had responsibility for the Finance, Information Technology, and other corporate 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.

Education: B. S. in mathematics, summa cum laude, from the University of Kentucky, S.M. from Massachusetts Institute of Technology's Sloan School with double majors in Finance and Planning & Control.

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Blair C. Pickerell

Age: 61
Director Since: 2015

Committees: Finance
Nominating and Governance
Strategic Issues

Public Directorships/Past 5 Years (all current): Link Real Estate Investment Trust (Nomination and Remuneration Committees) (current);

Former Public Directorships/Past 5 Years: Dah Sing Financial Holdings Limited.

Mr. Pickerell served as Head of Asia of Nikko Asset Management from 2010-2014 and Chairman Asia from 2014-2015. From 2007-2010, he was CEO, Asia, at Morgan Stanley Investment Management. He has also served as Chief Executive, Asia Pacific, of HSBC Asset Management and as Chairman of Jardine Fleming Funds.

Mr. Pickerell's current international service includes memberships on the Supervisory Committee for the Tracker Fund of Hong Kong; on the International Advisory Board of the Securities and Exchange Board of India; on the Listing Committee of The Stock Exchange of Hong Kong; and as member of the International Advisory Council of Business and Economics of The University of Hong Kong.

Skills and Qualifications: In addition to his extensive leadership record in the investment and asset management and financial services industries, Mr. Pickerell has executive level experience in the retail consumer, international, marketing, mergers & acquisitions, product development and strategic planning. He is fluent in Mandarin Chinese.

Education: Bachelor's and M. A. degrees from Stanford University, MBA from Harvard Business School.

Continuing Class I Directors With Terms Expiring in 2020

Betsy J. Bernard

Committees: Audit
Finance
Strategic Issues (Chair)
Executive

Public Directorships (current): Zimmer Biomet (member of the Audit Committee and Chair of the Governance Committee)

Former Public Directorships/Past 5 Years: SITO Mobile, Inc. (Lead Independent Director, member of Audit and Compensation Committees, Chair of the Nominating and Governance Committee)

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. Ms. Bernard was a 2015 NACD Directorship 100 Honoree.

Age: 62
Director Since: 1999 (Principal Life), 2001 (the Company)

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.

Education: Bachelor's degree from St. Lawrence University, master's degree in business administration from Fairleigh Dickinson University, MA from Stanford University in the Sloan Fellow Program.

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Jocelyn Carter-Miller

Age: 60
Director Since: 1999 (Principal Life), 2001 (the Company)

Committees: Finance (Chair)
Nominating and Governance

Public Directorships/Past 5 Years (all current): Interpublic Group of Companies, Inc. (Audit and Executive Committees, Chair of Corporate Governance Committee), Netgear, Inc. (Audit and Compensation Committees)

Ms. Carter-Miller has been President of TechEd Ventures since 2005, which specializes in the development and marketing of high performance educational and personal empowerment programming. 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. Ms. Carter-Miller was a 2013 NACD Directorship 100 Honoree, a Savoy Power 300: 2016 Most Influential Black Corporate Directors, and 2017 Directors & Boards Director to Watch.

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.

Education: B.S. in Accounting from the University of Illinois and an MBA in Finance and Marketing from the University of Chicago.

Scott M. Mills

Committees: Audit
Human Resources
Strategic Issues

Mr. Mills has been Executive Vice President and Chief Administrative Officer of Viacom, Inc. since 2015 and Executive Vice President of Human Resources and Administration since 2012. Prior to that, he was President and Chief Operating Officer of Viacom's BET Networks unit, where he previously served as chief financial officer and president of Digital Media. He worked in investment banking and served as Deputy Treasurer for the City of Philadelphia before joining BET.

Age: 49
Director Since: 2016

Skills and Qualifications: Mr. Mills has executive level experience in accounting and finance, asset and investment management, executive compensation, financial services, marketing, product development, strategic planning and technology.

Education: Bachelor's degree in economics from the Wharton School of the University of Pennsylvania.

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Corporate Governance

The Company's Board and management regularly review best practices for corporate governance and modify our policies and practices as warranted. Our current best practices include:

- Proxy access for shareholders owning three percent or more of the Company's common stock ("Common Stock") for a minimum of three years;
- Majority of independent Directors (11 out of 12);
- All key committees (i.e., Audit, Finance, Human Resources and Nominating and Governance Committees) are composed entirely of independent Directors;
- Strong and experienced independent Lead Director;
- Director resignation policy if the support of a majority vote of shareholders is not achieved;
- Policy regarding Directors' service on other public company boards;
- Board and committee self assessments conducted annually;
- Director assessment conducted in connection with Director nomination process;
- Robust stock ownership guidelines for Directors;
- Diverse Board membership in terms of age, background, experience, gender, ethnicity and tenure;
- Robust shareholder engagement program to obtain valuable feedback on our compensation and governance programs;
- Annual review of CEO succession plan by the independent Directors with and without the CEO present;
- Annual Board review of senior management long term and emergency succession plans;
- Multiple executive sessions involving solely independent Directors at each regularly-scheduled Board meeting; and
- Robust policies and procedures concerning the identification of and monitoring for conflicts of interest across the organization.

Board Leadership Structure

The Board exercises flexibility in establishing a leadership structure that works best for Principal at any given time. Historically, the positions of Chairman of the Board and CEO have been held by two people or combined and held by one person, depending on circumstances. Currently, Daniel J. Houston is the Chairman and CEO. Since 1990, the Board has had a Lead Director because it is important that the independent Directors have a formally acknowledged leader in addition to the Chairman of the Board who leads the Board generally. The Board regularly reviews the effectiveness of this shared leadership. Whether to separate or combine the Chairman and CEO positions is based on factors such as the tenure and experience of the CEO and the broader economic and operating environment of the Company. Principal has separated the roles of Chairman of the Board and CEO during periods of management transition, with the prior Chairman retaining that position as the newly appointed CEO assumes new responsibilities. The Board prefers this flexible approach to a requirement that the positions of Chairman/CEO be combined or separate. Ms. Tallett, the Lead Director, was selected by the independent Directors. The Nominating and Governance Committee reviews the appointment of Lead Director annually.

The Lead Director and the Chairman jointly decide on the Board's agenda for each regular quarterly meeting, and the Lead Director seeks input from the other independent Directors. The Lead 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 Lead Director presides when the Chairman is not present; plans and leads executive sessions of independent Directors ("Executive Sessions"); leads the Board's annual self evaluation, calls special Board meetings if the Chairman is unable to act, and leads the Board's CEO succession planning discussions. Executive Sessions generally occur at the start and end of each regularly scheduled Board meeting, and were held in conjunction with each regularly scheduled Board meeting during 2017.

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Role of the Board in Risk Oversight

Risk management is an essential component of our culture and business model. Management within our business units and functional areas is primarily responsible for identifying, assessing, monitoring and managing risk exposures. The Company's Enterprise Risk Management program includes a Chief Risk Officer, whose team operates independently from the business units, and an Enterprise Risk Management Committee, composed of members from the executive management team, that provides enterprise wide oversight for material risks. The Company also has a robust internal audit function.

The Board oversees management's execution and performance of its risk management responsibilities. The Board reviews strategic threats, opportunities, and risks Principal and its businesses or functions are managing. This includes oversight of risks such as credit, market, liquidity, product, operational, cybersecurity, reputational and general business risk that are handled directly by the Board or by Board Committees as discussed below:

The Audit Committee: risk and mitigation related to accounting, financial controls, legal, regulatory, ethics, compliance, operations and general business activities. The Audit Committee also oversees the framework and policies with respect to enterprise risk management.

The Finance Committee: risk and mitigation related to liquidity, credit, market, product and pricing activities. The Finance Committee also oversees capital management, capital structure and financing, investment policy, tax planning, and key risks associated with significant financial transactions. The Finance Committee also provides guidance to the Human Resources Committee on the appropriateness of Company financial goals used in annual and long-term employee incentive compensation arrangements.

The Human Resources Committee: risk and mitigation related to the design and operation of employee compensation arrangements to confirm they are consistent with business plans, do not encourage inappropriate risk taking and are appropriately designed to limit or mitigate risk. The Human Resources Committee also oversees succession planning and development for senior management.

The Nominating and Governance Committee: risks and mitigation related to the Company's environmental, sustainability and corporate social responsibilities as well as the Company's political contribution activities. The Nominating and Governance Committee also monitors whether the Board and its committees have the collective skills and experience necessary to monitor the risks facing the Principal.

The Chief Risk Officer and other members of senior management provide reports and have discussions with the Board and its committees on our risk profile and risk management activities, including reviews of ongoing adherence to policy, impacts of external events, and how strategy, initiatives, and operations integrate with our risk objectives. The Board also receives input on these issues from external entities such as our independent auditor, regulators and consultants. These activities provide the Board with a greater understanding of the material risks we face, the level of risk in matters presented for Board approval, and how risks are related.

The Board views cybersecurity risk as an enterprise wide concern that involves people, processes, and technology, and accordingly treats it as a Board level matter. It embodies a persistent and dynamic threat to our entire industry and is not limited to information technology. The Board will remain focused on this critical priority by continuing to receive regular reports from the Chief Information Officer and other professionals to ensure that it is monitoring cyber threat intelligence and taking the steps necessary to implement the needed safeguards and protocols to manage the risk.

Succession Planning and Talent Development

The Board believes that succession planning for future leadership of the Company is one of its most important roles. The Board is actively engaged and involved in talent management and reviews succession at least annually. This includes a detailed discussion of our global leadership and succession plans with a focus on CEO succession planning as well as succession planning for key positions at the levels of senior vice president and above. In addition, the Human Resources Committee regularly discusses the talent pipeline for critical roles at a variety of organizational levels, including CEO. High potential leaders are given exposure and visibility to Board members through formal presentations and informal events and the Human Resources Committee also receives regular updates on key talent indicators for the overall workforce, including diversity, recruiting and development programs.

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Majority Voting

In uncontested Director elections, Directors are elected by the majority of votes cast. If an incumbent Director is not elected and no successor is elected, the Director must submit a resignation to the Board, which will decide whether to accept the resignation. The Board's decision and reasons for its decision will be publicly disclosed within 90 days of certification of the election results.

Director Independence

The Board determines at least annually whether each Director is independent, using its independence standards in these determinations. These independence standards include the Nasdaq standards for independence and are on the Company's website, www.principal.com. The Board considers all commercial, banking, consulting, legal, accounting, charitable, family and other relationships (either individually or as a partner, shareholder or officer of an organization) a Director may have with the Company and its subsidiaries. The Board most recently made these determinations for each Director in February 2018, based on:

- A review of relationships and transactions between Directors, their immediate family members and other organizations with which a Director is affiliated and the Company, its subsidiaries or executive officers;
- Questionnaires completed by each Director regarding any relationships or transactions that could affect the Director's independence;
- The Company's review of its purchasing, investment, charitable giving and other records; and
- Recommendations of the Nominating and Governance Committee.

The Board affirmatively determined that the following Directors have no material relationship with the Company and are independent: Ms. Bernard, Ms. Carter-Miller, Mr. Dan, Mr. Ferro, Dr. Gelatt, Ms. Helton, Mr. Hochschild, Mr. Mills, Ms. Nordin, Mr. Pickerell and Ms. Tallett. The Board also determined that all current members of the Audit, Finance, Human Resources and Nominating and Governance Committees are independent. No Director other than Mr. Houston has been employed by the Company at any time.

Some Directors have categorically immaterial relationships and transactions with Principal:

- Ms. Bernard, Dr. Gelatt, Ms. Helton, Mr. Pickerell and Ms. Tallett are customers of the Company's subsidiaries. Prior to the Demutualization (see page 64), Directors were required to own an insurance policy or annuity contract issued by Principal Life. All insurance policies, annuity contracts and agreements for trust services held by Directors are on the same terms and conditions as those offered to the public.
- The Gelatt family companies (Dr. Gelatt is the CEO) and an affiliated trust own insurance and pension products issued by Principal Life.
- Ms. Bernard, Mr. Pickerell and Ms. Tallett are directors, and Messrs. Hochschild and Mills are executive officers of for profit entities with which the Company's subsidiaries conduct ordinary commercial transactions.

Certain Relationships and Related Party Transactions

Nippon Life Insurance Company ("Nippon Life"), which held approximately 6.3% of the Company's Common Stock at the end of 2017, is the parent company of Nippon Life Insurance Company of America ("NLICA"). Nippon Life, NLICA and Principal Life have had a business relationship for more than 20 years. In 2017, Nippon Life and NLICA paid the following amounts to Principal Life or its affiliates: $50,591 for pension services for defined contribution plans maintained by NLICA and an affiliate (mostly paid by plan participants); $1,250 for deferred compensation plan services; $7,029,440 for investment services. Principal Global Investors (Japan) Ltd. paid Nippon Life $60,639 for 401(k) fees and plan administration costs. The Company owns approximately three percent of the common stock of NLICA and Principal Life purchased public bonds with a market value at the end of 2017 of $63,425,000 during Nippon Life's $2 billion public issuance in October of 2012. Since 2013, NLI US Investments, Inc. ("NLI"), has owned 20% of Post Advisory Group, LLC ("Post"), an affiliate of the Company. During 2017, Post paid NLI an aggregate of $3,976,178 in dividends. Due to the longstanding relationship between Nippon and Principal Life, Nippon employees occasionally train on-site at Principal Life or at one of its affiliates. During 2017, and Principal Life paid Nippon Life $70,498 in salary reimbursements in connection with these situations.

As of December 31, 2017, the Vanguard Group, Inc. managed funds holding in the aggregate 10.71% of the Company's Common Stock. During 2017 Principal Shareholder Services, Inc. paid Vanguard $40,679 for sub-transfer agent services. Vanguard paid $1,469,416 in rent for lease of space to a borrower of the Principal Life

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general account. Principal Life and affiliates hold, or manage accounts holding, public securities issued by Vanguard funds.

As of December 31, 2017, BlackRock, Inc. and certain subsidiaries collectively owned or managed funds holding in the aggregate 6.8% of the Company's common stock. During 2017, Principal Global Investors, LLC paid BlackRock Fund Advisors $1,771,399 in management fees associated with the Principal Funds, Inc. Global Multi-Strategy Fund. In 2017, Principal Life paid BlackRock, Inc. $2,596,736 for fees in connection with the use of the Aladdin system. In 2017, PGI Trust Company paid BlackRock Fund Advisors $263,101 in sub-advisory fees associated with the Morley Actively Managed Fund. Principal Life and affiliates hold, or manage accounts holding, public securities issued by BlackRock, Inc. BlackRock affiliates manage investment funds in which affiliates of the Company invest for their own or managed accounts.

Dwight Soethout, Vice President Finance, is the spouse of Deanne D. Strable, Executive Vice President and Chief Financial Officer. Mr. Soethout has been an employee of the Company since 1993. In 2017, he received approximately $390,028 in base salary and annual bonus from Principal Life. He also participates in the long-term incentive compensation plan, and his compensation is commensurate with that of his peers. His employment and compensation were approved by the Human Resources Committee.

The Company maintains robust policies and procedures for the identification and monitoring of arrangements with related parties. The Nominating and Governance Committee or its Chair must approve or ratify all transactions with related parties that are not preapproved by or exempted from the Company's Related Party Transaction Policy (the "Policy"). At each quarterly meeting, the Committee reviews transactions with related parties and ratifies any transaction that is subject to the Policy if it determines it is appropriate, and may attach conditions to that approval. Transactions involving employment of a relative of an executive officer or Director must be approved by the Human Resources Committee. The Company's Related Party Transaction Policy may be found at www.principal.com.

Board Meetings

The Board held 10 meetings in 2017, five of which were two day, in person meetings. Each of the Directors then in office attended more than 75% in the aggregate of the meetings of the Board and the committees of which the Director was a member. All of the Directors then on the Board attended the 2017 Annual Meeting.

Global Corporate Code of Conduct

Each Director and officer of the Company has certified they comply with Principal's Global Code of Conduct, the foundation for ethical behavior across the organization. The Code is available at www.principal.com.

Board Committees

Only independent Directors may serve on the Audit, Human Resources and Nominating and Governance Committees. The Committees review their charters and performance annually. Committee charters of the Audit, Finance, Human Resources and Nominating and Governance Committees are available on the Company's website, www.principal.com.

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Membership and responsibilities of each of the Board Committees:

Committee	Responsibilities	Members (*Committee Chair)	Meetings Held in 2017
	Appointing, terminating, compensating and overseeing the Company's independent auditor and selecting the lead audit partner;	Betsy Bernard C. Daniel Gelatt Sandra L. Helton* Roger C. Hochschild Scott M. Mills Diane C. Nordin(1)	8
	Reviewing and reporting to the Board on the independent auditor's activities;		
	Approving all audit engagement fees and preapproving compensation of the independent auditor for non audit engagements, consistent with the Company's Auditor Independence Policy;		
	Reviewing internal audit plans and results;		
	Reviewing and reporting to the Board on accounting policies and legal and regulatory compliance; and		
	Reviewing the Company's policies on risk assessment and management. All members of the Audit Committee are financially literate and are independent, as defined in the Nasdaq listing standards, and Ms. Helton is a financial expert, as defined by the Sarbanes-Oxley Act.		
	Evaluating the performance of the CEO and determining his compensation relative to his goals and objectives;	Michael T. Dan* C. Daniel Gelatt Roger C. Hochschild Scott M. Mills Diane C. Nordin(1) Elizabeth E. Tallett	6
	Approving compensation for all other officers of the Company and Principal Life at the level of Senior Vice President and above ("Executives");		
	Approving employment, severance or change of control agreements and perquisites for Executives;		

Overseeing Executive development and succession planning; Approving employee compensation policies for all other employees; Approving equity awards; Administering the Company's incentive and other compensation plans that include Executives; Acting on management's recommendations for broad based employee pension and welfare benefit plans; Reviewing compensation programs to confirm that they encourage management to take appropriate risks; discourage inappropriate risks and act consistently with the Company's business plan, policies and risk tolerance.		
Recommends Board candidates, Board committee assignments and service as Lead Director; Reviews and reports to the Board on Director independence, performance of individual Directors, process for the annual self evaluations of the Board and its performance and committee self evaluations, content of the Global Code of Business Conduct and Ethics, Director compensation, and the Corporate Governance Guidelines; Reviews environmental and corporate social responsibility matters as well as the Company's political contribution activities.	Jocelyn Carter-Miller Michael T. Dan Dennis Ferro* Blair C. Pickerell Elizabeth E. Tallett	6

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Committee	Responsibilities	Members (*Committee Chair)	Meetings Held in 2017
	Assists the Board with financial, investment and capital management policies;	Betsy J. Bernard Jocelyn Carter-Miller* Dennis H. Ferro Sandra L. Helton Blair Pickerell	7
	Reviews capital structure and plans, significant financial transactions, financial policies, credit ratings, matters of corporate finance, including issuance of debt and equity, shareholder dividends, proposed mergers, acquisitions and divestitures; Reviews and provides guidance on financial goals;		
	Oversees investment policies, strategies and programs; Reviews policies and procedures governing the use of financial instruments including derivatives; and assists the Board in overseeing and reviewing information regarding enterprise financial risk management, including the policies, procedures and practices to manage liquidity, credit market, product and pricing risks and tax planning.		
	Plans the Board's annual strategic retreat.	Betsy Bernard* Roger C. Hochschild Scott M. Mills Diane C. Nordin(2) Blair C. Pickerell	3
	Acts on matters delegated by the Board which must be approved by its independent members. Has the authority of the Board between Board meetings unless the Board has directed otherwise or as mandated by law and in the By Laws.	Betsy J. Bernard Sandra L. Helton Daniel J. Houston* Elizabeth E. Tallett	None

(1) Effective October 25, 2017

(2) Effective November 28, 2017

Sustainability

Doing what matters most for our global community

Principal aims to provide not only positive financial outcomes for our clients, but also positive outcomes for the global community in which it operates. Our commitment to clients means we will invest, conserve, volunteer and lead responsibly and sustainably to help realize the promise of a better future. And a better world.

As evidence, we're humbled to have been named a Most Ethical Company by the Ethisphere Institute for the eighth year in a row in 2018.

A full review of Principal's environmental, social and governance (ESG) practices can be found in our Corporate Social Responsibility Report available on www.principal.com. A summary is below:

Giving back: Helping people is an important part of our culture at Principal. That's why employees, along with the Principal Financial Group Foundation, work together to give back. Our focus is on creating strong communities where people can live, work and play, helping people make progress toward long-term financial security, and supporting educational partnerships that build a pipeline for future talent. Highlights of recent developments and results include:

- Our employees gave more than $4.02 million to 438 organizations in 230+ communities around the world in 2017.
- We've raised $13.5 million to support Iowa kids through our sponsorship of the Principal Charity Classic, an annual PGA TOUR Champions event, over 11 years.
- 1,623 employees logged 30,357 volunteer hours in 2017.
- Our Global Impact trip to India in 2017 enabled eight employees, selected from around the world, to help young people in poverty build skills for future employment.

Sustaining the environment: We work to lessen our environmental impact by reducing our carbon footprint, using energy and water efficiently, and minimizing waste, while engaging our employees, stakeholders, and supply chain through awareness initiatives. Our specific programs include a food diversion and composting program, LEED certifications, and employee grassroots "Green Team" recycling efforts. Recent sustainability results include:

- We've reduced our 2010 baseline carbon emissions by nearly 29% since 2011.

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- We've recycled 90% of the removed materials during a multi-year corporate campus renovation in Des Moines, to date.
- Our employees' grassroots Green Team kept more than 10,200 pounds of office supplies, electronics and paper out of landfills in 2017.
- We composted or donated 27,453 lbs. of food from our corporate campus cafes in 2017.
- 3 of our corporate campus buildings are LEED Certified.
- We've earned a Leadership score on our response to the Carbon Disclosure Project's Climate Change questionnaire each year since and including 2013.

Investing responsibly: Our asset management affiliate Principal Global Investors integrates ESG investing principles into its approach to portfolio management. With a client-first focus, Principal Global Investors' signatory status to the United Nations-sponsored Principles for Responsible Investment gives us a voice in defining and shaping the ongoing global ESG discussion. We continuously assess the latest ESG developments and seek the most effective way to incorporate best market practices into our investment process. Recent developments and achievements include:

- Received an A+ from the United Nations Principles for Responsible Investment on its assessment of ESG investment practices in 2017.
- Robust and evolving training programs for our research analysts to enhance awareness of ESG considerations.
- Principal Global Fixed Income manages nearly $130 million of assets in renewable energy and green bonds.
- 85% of the office portfolio managed by our real estate management affiliate, Principal Real Estate Investors, is green certified (LEED/Energy Star).
- Principal Real Estate Investors has racked up 16.4% in energy savings in this portfolio since 2008, avoiding $38 million in energy costs.
- Principal Real Estate Investors has reduced 107,779 metric tons of GHG emissions in this portfolio since 2008.
- Principal Real Estate Investors was named a 2017 ENERGY STAR Partner of the Year.
- Several private funds managed by Principal Real Estate Investors received 4 Star designations from the Global Real Estate Sustainable Benchmark in 2017

Advancing a culture of diversity and inclusion: We define diversity as 'the mix.' We define inclusion as making the most of the 'the mix.' Our robust Diversity and Inclusion initiative manifests itself in a variety of ways, including nearly a dozen active Employee Resource Groups, inclusion programs, Board of Directors diversity, and recruitment of world-class talent. Highlights of recent results include:

- Women and minorities comprise more than 50% of our Board of Directors.
- Ranked No. 6 on Forbes 2018 list of America's Best Employers for Diversity.
- Earned a perfect score on the Human Rights Campaign Foundation's Corporate Equality Index for third year in a row in 2018.
- Earned the 2018 Military Friendly Employer designation by Victory Media.
- Recognized in 2017 with WorldatWork Seal of Distinction for support of employees at work and at home.
- Named one of the 2017 NAFE Top Companies for Executive Women.
- Named one of the 2017 Working Mother 100 Best Companies for Women.

Promoting diversity among suppliers: Just as we value diversity among our employees, we value diversity among our suppliers and partners to help create innovative solutions and build stronger communities. Our Supplier Diversity Program seeks out qualified businesses to help meet current and future business needs. Principal is affiliated with a number of supplier diversity organizations to provide these connections, including: Women's Business Enterprise National Council, National Minority Supplier Development Council, United States Hispanic Chamber of Commerce, U.S. Pan Asian American Chamber of Commerce, National Gay & Lesbian Chamber of Commerce, National Veteran Owned Business Association, U.S. Business Leadership Network Disability Supplier Diversity Program, Financial Services Roundtable for Supplier Diversity.

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Directors' Compensation

Directors serve on the Boards of the Company, Principal Life and Principal Financial Services, Inc. Directors who are also employees do not receive any compensation for their service as Directors. The Company provides competitive compensation to attract and retain high quality non-employee Directors. A substantial proportion of non-employee Director compensation is provided in the form of equity to help align such Directors' interests with the interests of shareholders.

The non employee Director compensation program is reviewed annually. The Nominating and Governance Committee uses the Board's independent compensation consultant for this purpose. During 2017, Compensation Advisory Partners conducted an annual comprehensive review and assessment of Director compensation. The Company targets non employee Director compensation at approximately the median of the peer group used for Executive compensation comparisons ("Peer Group") (see page 30), which aligns with its Executive compensation philosophy. As a result of Compensation Advisory Partners November 2017 review and the Committee's discussion, Director compensation was changed effective November 27, 2017. These changes position Directors at the median of compensation within Principal's Peer Group and further simplifies the Director compensation program by eliminating fees for the non regularly scheduled Board and Committee meetings.

	Effective Since January 1, 2015	Effective November 27, 2017
Annual Cash Retainers[1]		
- Board	$95,000	$100,000
- Audit Committee Chair	$20,000	$20,000
- Human Resources Committee Chair	$17,500	$20,000
- Finance Committee Chair	$15,000	$20,000
- Nominating & Governance Committee Chair	$15,000	$20,000
- Other Committee Chairs	$5,000	$10,000
- Lead Director	$25,000	$25,000
Annual Restricted Stock Unit Retainer[2]		
- Board	$130,000	$165,000
Meeting Attendance Fees		
- Regularly Scheduled Board Meeting	No meeting fees	NA
- Non regularly Scheduled Board Meetings (in person)	$2,500 per day	NA
- Non regularly Scheduled Board Meetings (Telephonic)	$1,000	NA
- Committee Meeting	$1,500	NA

- Telephonic Committee Meeting	$1,000	NA

(1) Paid in two semiannual payments, in May and November, on a forward looking basis.

(2) Grants are made at the time of the annual meeting.

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Fees Earned by Non Employee Directors in 2017

Name	Fees Earned or Paid in Cash	Stock Awards(1)	Total
Betsy J. Bernard	$ 129,000	$ 130,007	$ 259,007
Jocelyn Carter-Miller	$ 135,000	$ 130,007	$ 265,007
Michael T. Dan	$ 135,250	$ 130,007	$ 265,257
Dennis H. Ferro	$ 134,000	$ 130,007	$ 264,007
C. Daniel Gelatt Jr.	$ 119,500	$ 130,007	$ 249,507
Sandra L. Helton	$ 140,500	$ 130,007	$ 270,507
Roger C. Hochschild	$ 121,500	$ 130,007	$ 251,507
Scott M. Mills	$ 120,500	$ 130,007	$ 250,507
Diane C. Nordin	$ 61,240	$ 73,230	$ 134,470
Blair C. Pickerell	$ 119,500	$ 130,007	$ 249,507
Elizabeth E. Tallett	$ 141,500	$ 130,007	$ 271,507

(1) These amounts reflect the grant date fair value of awards made in 2017 determined in accordance with FASB Accounting Standards Codification ("ASC") Topic 718. These awards do not reflect actual amounts realized or that may be realized by the recipients. While the 2014 Director Stock Plan (which was approved by shareholders) allows some discretion in determining the dollar value of RSUs that may annually be awarded, it imposes a maximum limit of $230,000 ($500,000 for an Independent Chairman) on the size of the annual award that may be made.

Non Employee Directors' Deferred Compensation Plan

Non employee Directors may defer the receipt of their cash compensation under the Deferred Compensation Plan for Non-Employee Directors of Principal Financial Group, Inc. This Plan has four investment options:

- Phantom units tied to the Company's Common Stock;
- The Principal LargeCap S&P 500 Index R5 Fund;

The Principal Real Estate Securities R5 Fund; and

The Principal Core Plus Bond R5 Fund.

The returns realized on these funds during 2017 were:

Investment Option	1 Year Rate Of Return (12/31/2017)
Principal Financial Group, Inc. Employer Stock Fund	25.18%
Principal LargeCap S&P 500 Index R5 Fund	21.25%
Principal Real Estate Securities R5 Fund	8.85%
Principal Core Plus Bond R5 Fund	4.65%

Restricted Stock Unit Grants

Non employee Directors receive an annual grant of Restricted Stock Units ("RSUs") under the Principal Financial Group, Inc. 2014 Directors Stock Plan. RSUs are granted at the time of the annual meeting, vest at the next annual meeting and are deferred at least until the date the Director leaves the Board. At payout, the RSUs are converted to shares of Common Stock. Dividend equivalents become additional RSUs, which vest and are converted to Common Stock at the same time and to the same extent as the underlying RSU. The Nominating and Governance Committee has the discretion to make a prorated grant of RSUs to Directors who join the Board at a time other than at the annual meeting. While the 2014 Director Stock Plan (which was approved by shareholders) allows some discretion in determining the dollar value of RSUs that may annually be awarded, it imposes a maximum limit of $230,000 ($500,000 for an Independent Chairman) on the size of the annual award that may be made.

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As of December 31, 2017, each Non employee Director had the following aggregate number of outstanding RSUs, including additional RSUs received as the result of dividend equivalents:

Director Name	Total RSUs Outstanding Fiscal Year End 2017 (Shares)
Betsy J. Bernard	41,943
Jocelyn Carter-Miller	44,044
Michael T. Dan	39,323
Dennis H. Ferro	25,993
C. Daniel Gelatt	47,019
Sandra L. Helton	41,943
Roger C. Hochschild	8,357
Scott M. Mills	4,523
Diane C. Nordin	1,089
Blair C. Pickerell	7,171
Elizabeth E. Tallett	46,500

Other Compensation

Principal Life matches charitable gifts up to $16,000 per non employee Director per year. These matching contributions are available during a Director's term and the following three years. Principal Life receives the charitable contribution tax deductions for the matching gifts.

Directors are reimbursed for travel and other business expenses they incur while performing services for the Company. Directors' spouses/partners may accompany them to the annual Board strategic retreat. At this retreat, Principal pays for some of the travel expenses and amenities for Directors and their spouses/partners, such as meals and social events. Directors are also covered under the Company's Business Travel Accident Insurance Policy and Directors' and Officers' insurance coverage. In 2017 the total amount of perquisites provided to non employee Directors was less than $10,000 per director.

Directors' Stock Ownership Guidelines

To encourage Directors to accumulate a meaningful ownership level in the Company, the Board has had a "hold until retirement" stock ownership requirement since 2005. All RSU grants must be held while a Director is on the Board, and may only be converted to Common Stock when the Director's Board service ends. The Board has a guideline that Directors own interests in Common Stock equal to five times the annual Board cash retainer within five years of joining the Board. Directors have been able to achieve this level of ownership through the RSU hold until retirement requirement. Once this guideline is met, Directors do not need to buy additional stock if the guideline is no longer met due to a reduction in stock price, if the Director's ownership level is not reduced because of share sales.

Audit Committee Report

The Audit Committee oversees the Company's financial reporting process. Company management has the primary responsibility for the financial statements and the reporting process, including the systems of internal controls. The Committee reviewed with management the audited financial statements for the fiscal year ended December 31, 2017, and discussed the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments and the clarity of disclosures in the financial statements.

The Committee discussed with Ernst & Young LLP, the Company's independent auditor, the matters required to be discussed by the applicable Public Company Accounting Oversight Board ("PCAOB") standards. These standards require the independent auditor to communicate (i) the auditor's responsibility under standards of the PCAOB; (ii) an overview of the planned scope and timing of the audit; and (iii) significant findings from the audit, including the qualitative aspects of the entity's significant accounting practices, significant difficulties, if any, encountered in performing the audit, uncorrected misstatements identified during the audit, other than those the auditor believes

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are trivial, if any, any disagreements with management, and any other issues arising from the audit that are significant or relevant to those charged with governance.

The Committee received from Ernst & Young LLP, the written disclosures and letter required by applicable requirements of the PCAOB regarding the independent auditor's communications with the Committee concerning independence. The Committee has discussed with Ernst & Young LLP its independence and Ernst & Young LLP has confirmed in its letter that, in its professional judgment, it is independent of the Company within the meaning of the federal securities laws.

The Committee discussed with the Company's internal and independent auditors the overall scope and plans for their respective audits. The Committee meets with the internal and independent auditors, with and without management present, to discuss the results of their examinations, their evaluations of the Company's internal controls and the overall quality of the Company's financial reporting.

In reliance on the reviews and discussions referred to above, the Committee recommended to the Board (and the Board approved) that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017, for filing with the Securities and Exchange Commission (SEC). The Committee has also approved, subject to shareholder ratification, the appointment of Ernst & Young LLP as the Company's independent auditors for the fiscal year ending December 31, 2018.

The Committee does not have the responsibility to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and in accordance with generally accepted accounting principles. That is the responsibility of the Company's independent auditor and management. In giving our recommendation to the Board, the Committee has relied on (i) management's representation that such financial statements have been prepared with integrity and objectivity and in conformity with generally accepted accounting principles, and (ii) the report of the Company's independent auditor with respect to such financial statements.

Sandra L. Helton, Chair
Betsy J. Bernard
C. Daniel Gelatt
Roger C. Hochschild
Scott Mills
Diane C. Nordin

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Executive Compensation

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Compensation Discussion and Analysis (CD&A)

The CD&A describes Principal Financial Group, Inc.'s Executive compensation objectives and philosophy. It also describes our 2017 compensation program and reviews the outcomes, including the Company's financial performance in 2017. Our "Named Executive Officers" in 2017 were

Daniel J. Houston, Chairman, President and Chief Executive Officer. Mr. Houston has overall responsibility for all businesses of the organization. He previously served as President and Chief Operating Officer, overseeing all global businesses, and the Retirement and Investor Services and U.S. Insurance Solutions segments of the organization.

Deanna D. Strable, Executive Vice President and Chief Financial Officer. Ms. Strable has been with the Company since 1990, and prior to becoming Chief Financial Officer, was Executive Vice President and President of U. S. Insurance Solutions with overall accountability for individual life, nonqualified deferred compensation, individual disability and group benefits.

Terrance J. Lillis, Executive Vice President and Chief Financial Officer. Mr. Lillis was Executive Vice President and Chief Financial Officer from March of 2014 to February 14, 2017 and retired May 1, 2017.

Nora M. Everett, President, Retirement and Income Solutions. Ms. Everett is responsible for U.S. retirement, annuity, broker-dealer and banking businesses. She has been with the Company since 1991 and previously served as Senior Vice President, Retirement and Investor Services and CEO of Principal Funds.

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James P. McCaughan, President Global Asset Management. Mr. McCaughan heads the Principal Global Investors segment of our operations, overseeing all global asset management activities, including developing global strategies and identifying and analyzing market opportunities.

Luis Valdés, President International Asset Management & Accumulation. Mr. Valdés is responsible for managing the Company's operations outside of the United States in our international asset management and accumulation segment.

2017 Company Performance Highlights:

2017 was another very good year for Principal with a record $2.3 billion of net income available to Principal Financial Group and a record $1.5 billion of non-GAAP operating earnings[(1)], an 11% increase from 2016 on a reported basis, reflecting strong growth across our businesses. The Tax Cuts and Jobs Act of 2017 had a net $568 million benefit to net income in 2017, primarily due to the re-measurement of our net deferred tax liability. Net income also benefited from a large gain on a real estate transaction in 2017.

In 2017, we grew assets under management by $77 billion, or 13%, to a record $669 billion at year-end. Investment performance remains very competitive and speaks to our ongoing ability to stand out among active managers.

We deployed $913 million of capital in 2017, or 68% of net income, excluding the net income impacts from U.S. tax reform and the real estate transaction. We take a balanced approach to capital deployment we returned $733 million of capital to shareholders through common stock dividends and share repurchases in 2017; increased ownership in our investment boutiques; and committed capital to two planned acquisitions: MetLife Afore, MetLife's pension fund management business in Mexico, and Internos, a European real estate investment firm.

2017 was a year of strong growth for Principal, and a year of meaningful progress. Competitive and environmental challenges remain, but we go forward from a position of strength, with outstanding fundamentals and the benefit of broad diversification.

2017 Compensation Highlights

In 2017, the Company's shareholders voted to approve the Company's Executive compensation program. Of the votes cast, over 96% supported the Executive compensation program. The Company considered the shareholders' approval of the compensation program to be approval of the Company's compensation philosophy, which has not changed since that vote.

Based on our 2017 annual performance achievements, many of which are outlined above, 2017 Annual incentive payouts for Named Executive Officers averaged 107% of target.

(1) This is a non-GAAP financial measure. See non-GAAP financial measure reconciliations in Appendix B.

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Based on the Company's three-year average return on equity ("ROE")(2) and three-year average book value per share(3) performance, the 2015-2017 PSUs vested on December 31, 2017 and 100% of the target number of shares were paid out in February 2018, according to the established performance scale, and approval by the Human Resources Committee.

Compensation Program Philosophy and Policies

Compensation Philosophy our compensation programs are designed to:

Attract and retain talented Executives and motivate them to perform at the highest level and contribute significantly to the Company's long term success;

Reinforce the Company's **pay for performance** culture by making a significant portion of total compensation variable and by differentiating awards based on Company and individual performance in achieving short and long term financial and strategic objectives;

Have a greater percentage of **compensation to be at risk** for Executives who bear higher levels of responsibility for the Company's performance;

Align the interests of Executives and other stakeholders, including shareholders, customers and employees, by having a significant portion of the Executives' compensation in stock and requiring Executives to hold stock; and

Support important **corporate governance** principles and established best practices.

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(2) Return on equity ("ROE") is defined as (i) income from continuing operations before income taxes per the audited Consolidated Statements of Operations less net realized/unrealized capital gains (losses) and preferred stock dividends declared during such calendar year divided by (ii) the average equity excluding other comprehensive income available to common stockholders.

(3) Book value per share is defined as total ending common equity excluding other comprehensive income divided by number of common shares outstanding end of year.

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Compensation Policies Principal's Executive compensation program incorporates the following best practices:

Independent Consultant	The Human Resources Committee's independent compensation consultant is selected and retained by the Committee to advise on Executive and Director compensation and does no other work for the Company. The independent compensation consultant to the Human Resources Committee was FW Cook until September of 2017. As part of its normal practice, the Committee periodically considers whether to change consultants. A search for a new consultant was conducted in 2017, and Compensation Advisory Partners was selected.
Risk Review	The Human Resources Committee annually reviews an analysis of the Company's incentive compensation plans to ensure they are designed to create and maintain shareholder value, provide rewards based on the long term performance of the Company and do not encourage excessive risk.
Emphasis on Variable Compensation:	Most of our Executive compensation is variable and linked to meeting our short term and long term financial and strategic goals and to the performance of the Company's stock over time. Ninety percent of our CEO's 2017 target compensation and an average of 80% of our other Named Executive Officer's target total compensation are variable and tied to Company performance.
Executive Ownership	Executives receive a significant portion of their compensation in stock as noted in the chart on page 32, and are required to own a meaningful amount of stock in the Company, both of which contribute to strong alignment of management and shareholder interests.
Prohibition on Hedging	Principal prohibits all employees, including Named Executive Officers, from purchasing any Principal securities on margin (except for exercising stock options), engaging in short sales or trading in any put or call options; and purchasing, directly or indirectly, any financial instrument (including prepaid variable forward contracts, equity swaps, collars and exchange funds) that is designed to hedge or offset any decrease in the market value of Principal securities.
Clawback Policy	Principal has a claw back policy to recover incentive compensation paid to Executives if the compensation was based on achieving financial results that were subsequently restated, if the Committee decides that the Executive engaged in fraud or intentional misconduct that caused the restatement, and if the amount of the Executive's incentive compensation would have been lower had the financial results been properly reported.
Market Severance Protection	Our change of control agreements with Executives provide market based severance protection and do not provide excise tax gross ups.
Limited Perquisites	We do not provide perquisites to Executives that are not offered to all employees, except one physical examination per year, business spousal travel, and gifts of nominal value given to all sales conference attendees.
No Repricing	We have not repriced underwater stock options and we will not do so without shareholder approval.
Tax and Accounting Efficiency	Our programs are designed, to the extent possible, to be financially efficient from tax, accounting, cash flow and share dilution perspectives.
No Gross Ups	Executives do not receive any income tax gross ups.

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Summary of Compensation Elements:

Compensation Component	Objective	Description and 2017 Highlights
Base Salary	Provides fixed income based on the size, scope and complexity of the Executive's role, Executive's historical performance and relative position compared to market pay information	Base salaries are generally targeted at market median, but may vary from median based on the Executive's performance, work experience, role and the difficulty of replacing the Executive. In 2017, the Committee increased Executives' base salaries, as detailed on page 32.
Annual Incentive Compensation	Motivates and rewards annual corporate performance as well as the Executive's contribution to achieving our annual objectives.	A range of earnings opportunity, expressed as percentages of base salary and corresponding to three levels of performance (threshold, target and maximum), is established for each Executive. Actual bonuses depend on achievement relative to the key financial measures, corporate and divisional goals, as outlined on pages 32-36. Based on the Committee's assessment of performance, actual bonuses for 2017 averaged 107% of target as detailed on page 36.
Long Term Incentive Compensation	Motivates and rewards long term corporate performance as well as the Executive's contribution to achieving our long term objectives. Reinforces the link between the interests of the Executives and shareholders. Encourages retention.	Each year, the Committee establishes the long term award opportunity for each Named Executive Officer. One half of the award is granted in stock options and the other half in PSUs. Using equal amounts of PSUs and options creates a balance between achieving operating performance objectives and increases in shareholder value. The PSUs vest based on continued service (except for retirees, when they vest over time) and meeting financial objectives over a three year period (with each three year period treated as a "Performance Cycle"). The PSUs granted in 2016 for the 2016-2018 and in 2017 for the 2017-2019 Performance Cycles will vest based on performance scales for three-year average Pre-Tax Return on Net Revenue, each weighted 50% over the performance period. Payout on the ROE metric is modified based on three year Book Value per Share versus certain threshold goals. Details of the program are outlined on pages 36-38. The PSUs granted in 2015 for the 2015-2017 Performance Cycle were based on three-year average ROE and three-year average Book Value per Share, each weighted 50%. For the 2015-2017 Performance Cycle, the awards vested and paid out at 100% of the target number of PSUs based on our ROE performance of 14.3% and Book Value per Share of $38.92.

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Compensation Component	Objective	Description and 2017 Highlights
Benefits	Protects against catastrophic expenses and provides retirement savings opportunities.	Named Executive Officers participate in most of the same benefit plans as the Company's other U.S. based employees, including health, life, disability income, vision and dental insurance, an employee stock purchase plan, 401(k) plan and pension plan. Executives also participate in non qualified retirement plans (defined benefit and defined contribution). Mr. McCaughan does not participate in the pension or non qualified retirement plans.
Perquisites	Modest additional benefits to help attract and retain Executive talent and enable Executives to focus on Company business with minimal disruption.	Executives are eligible for one physical examination per year, business spousal travel and gifts of nominal value given to all sales conference attendees.
Termination Benefits	Provides temporary income following an Executive's involuntary termination of employment, and, in the case of a change of control; helps ensure the continuity of management through the transition.	Refer to pages 38-39 for a discussion of our change of control and separation benefits. These benefits do not include excise tax gross ups.

How We Make Compensation Decisions

Human Resources Committee Involvement

The Human Resources Committee

- Oversees the development and administration of the Company's compensation and benefits policies and programs;
- Evaluates CEO performance results;
- Makes the compensation decisions for the CEO;
- Approves the compensation program and compensation for Executives;
- Tenure in role;
- Reviews and approves corporate incentive goals and objectives relevant to compensation;
- Evaluates the competitiveness of each Executive's total compensation; and
- Approves changes to the Executive's total compensation package.

Compensation Advisory Partners advises the Committee on the Executive compensation program and also advises the Nominating and Governance Committee on compensation for non employee Directors (see pages 20-22). Compensation Advisory Partners receives compensation from the Company only for its work in advising these Committees. Compensation Advisory Partners does not and would not be allowed to perform services for management. The Committee assessed the independence factors in applicable SEC rules and Nasdaq Listing Standards and other facts and circumstances and concluded that the services performed by Compensation Advisory Partners did not raise any conflict of interest.

No member of management, including the CEO, has a role in determining his or her own compensation; and the CEO is not present when the Committee discusses his compensation. The Committee consults with the independent Directors regarding the CEO's performance and then determines the compensation earned by the CEO for the current year and the CEO's compensation opportunity for the following year.

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Each year the CEO, with input from the Human Resources Department and the compensation consultant, recommends the amount of base salary increase (if any), annual incentive award and long term incentive award for Executives other than himself. These recommendations are based on the Executive's performance, performance of the business areas for which the Executive is responsible (if applicable) and other considerations such as retention. The Human Resources Committee reviews these recommendations and approves compensation decisions for Executives.

The role of the Independent Compensation Consultant & Interaction with Management

The Human Resources Committee has the sole authority to hire, approve the compensation of and terminate the engagement of the compensation consultant.

The compensation consultant usually conducts a comprehensive review of the Company's Executive compensation program every other year. In the years in which the compensation consultant does not conduct a compensation study, the Committee makes compensation decisions, in part, on survey data provided by the Human Resources Department and input provided by the compensation consultant. Because the Committee hired a new compensation consultant in 2017, the Executive Compensation program is being reviewed in 2018. The comprehensive study of Executive Compensation conducted by the Committee's compensation consultant reviews all aspects of the design and structure of the Company's total Executive compensation program, and includes:

- Interviews with Executives and Directors to discuss business strategy and the implications for human resources and compensation policy;
- A competitive review of compensation opportunities for each of the Named Executive Officers compared to the pay opportunities of similarly situated executives at the Peer Group companies (see below);
- An analysis to ensure that total share dilution and the economic costs of long term incentives are reasonable and affordable for the Company; and
- A review of Executive compensation plans against potential risks. FW Cook conducted a review of the Company's Executive compensation plans in 2017, and determined that the Company's Executive compensation programs are well designed, support the Company's business strategy, and do not provide incentives to Executives to take inappropriate risks.

The compensation consultant:

- Attended three meetings of the Committee in 2017, as requested by the Committee Chair; and
- Reviewed and commented on drafts of the Compensation Discussion & Analysis and related compensation tables for the proxy statement.

Use of Compensation Data

The Committee reviews the Peer Group of companies it uses to compare Executive compensation as part of the compensation consultant's biennial study. The compensation consultant recommends an appropriate Peer Group of public, similarly sized, diversified financial services, insurance and asset management companies, taking into account the Company's and the competitors' strategy, mix of business and size, as measured primarily by annual revenues, market capitalization and total assets. These companies are the major competitors in one or more of the Company's businesses, but none represent the exact business mix of the Company. Principal targets compensation for the Named Executive Officers at the median of the compensation of the named executive officers at the Peer Group companies. The companies in the Peer Group for decisions on 2017 target compensation opportunities were:

Affiliated Managers Group	Invesco	MetLife
Ameriprise Financial	Legg Mason	Prudential Financial
Eaton Vance	Lincoln National	Sun Life Financial
Franklin Resources	ManuLife	T. Rowe Price
		Voya Financial

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The Committee also uses annual data from third party industry surveys for its compensation decisions.[4] Every two to three years, the Company's non cash benefit programs are compared with those of more than 100 diversified financial services companies. This is a larger group than the Peer Group because the information is used for our broad based employee benefit programs. Benefit programs are also compared against those of local employers in Des Moines, Iowa as the Company has a significant employee population there.

Each year, the Committee reviews the total compensation paid to the Executives by reviewing tally sheets, which include base salaries, annual and long term incentive awards earned, deferred compensation, outstanding equity awards, benefits, perquisites, and potential payments under various termination scenarios.

The Committee uses this information to analyze the value of compensation actually delivered versus the compensation opportunities established by the Committee, and it is also used in making compensation and compensation plan design decisions.

2017 Executive Compensation Decisions

The Committee made compensation decisions for the Named Executive Officers based on:

- The Company's strategic and human resources objectives;
- Competitive data for the Peer Group and for a broader group of diversified financial services companies (see Appendix A for a complete list of these companies);
- Corporate and individual performance on key initiatives;
- Economic conditions;
- The CEO's compensation recommendations for other Executives;
- Advice of the Committee's consultant; and
- How the elements of compensation contribute to and interrelate to total compensation.

The Committee also considers the tax and accounting consequences of each element of compensation. For taxable years though 2017, the Committee has tried to maximize the tax deductibility to Principal of compensation under available exceptions to the application of Section 162(m) of the Internal Revenue Code ("Tax Code"), while simultaneously providing competitive compensation that enhanced our business objectives. This Tax Code section limits Principal from deducting annual compensation exceeding $1 million for our CEO and other persons who either are or beginning in 2018, were required to be named in our public company disclosure for any year after 2016 ("Covered Employees"). For taxable years prior to 2018, there was an exception to this 162(m) limitation for performance based compensation meeting certain criteria, but this exception has generally been repealed for taxable years after 2017 (subject to certain limited grandfathering of compensation payable pursuant to binding written agreements outstanding on November 2, 2017). The Committee will consider the impact of this change in the applicable federal income tax laws as it makes and implements decisions regarding compensation that will be payable after 2017. Tax deductibility affects the net cost of the compensation payable by Principal to Covered Employees, and is one factor to be considered in designing competitive and effective compensation programs. Other factors, such as the need to provide our senior executives compensation that is competitive with that payable in the marketplace, that retains their services and that provides appropriate incentives to achieve our business plans and objectives, may cause the Committee to continue to provide compensation opportunities that are generally consistent with those previously provided, despite the probability that at least some of the compensation payable to some or all of the Covered Employees will not be tax deductible after 2017.

For 2017, Messrs. Houston, McCaughan and Valdés and Ms. Everett were Covered Employees. The chart below shows the 2017 target total compensation for our Named Executive Officers as well as the proportion of their

(4) The surveys used were the McLagan Investment Management survey, Towers Watson U.S. Financial Services Studies Executive Database and the Towers Watson Diversified Insurance Study of Executive Compensation. The names of the companies participating in these surveys are included in Appendix A.

compensation tied to Company performance. Most compensation paid to our Named Executive Officers is variable and at risk as reflected in the chart below.

(1) Lillis' data is based on annualized base salary.

Base Salary

When determining base salary for each Executive, the Committee considers the Peer Group median for comparable executive positions as well as the survey data referenced above, the Executive's performance and work experience, the importance of the position to the Company and how difficult it would be to replace the Executive. The table below provides the historical base salaries[(1)] of the Named Executive Officers.

Named Executive Officer	2015	2016	2017	Percent Increase 2016 to 2017
Houston	$ 775,000	$ 800,000	$ 900,000	12.5%
Strable		$ 535,000	$ 562,000	5.0%
Everett			$ 529,500	12.5%
Lillis	$ 551,000	$ 567,500	$ 567,500	0%
McCaughan	$ 653,000	$ 666,000	$ 679,500	2.0%

Valdés	$ 580,000	$ 591,500	$ 603,500	2.0%

(1) Salaries displayed in the table are as of December 31 of the year noted, except for Mr. Lillis, whose salary is as of May 1, 2017, the date of his retirement. This information differs from salary information in the Summary Compensation Table as the table includes salary earned and paid in the year noted. Changes in base salary are effective in March of each year.

Annual Incentive Compensation

The Named Executive Officers may earn annual cash bonuses under the Principal Financial Group, Inc. Annual Incentive Plan. This plan was approved by shareholders in 2004, and, as adopted was designed to comply with the performance based exception to Section162(m) of the Tax Code, such that these incentives payable to Named Executive Officers could be tax deductible to the Company. As noted above, the performance-based exception to Section 162(m) has been repealed with respect to taxable years starting in 2018. Accordingly, incentives paid under

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the Annual Incentive Plan will not be deductible to the extent paid to Covered Employees subject to the limitations contained in Section 162(m) whose aggregate compensation, inclusive of such incentives, exceed $1 million.

The maximum aggregate bonus amount available under the Annual Incentive Plan for any calendar year for the Named Executive Officers is 2% of annual operating income for that year ("Bonus Pool"). For 2017, the maximum bonuses were:

Named Executive Officer	Maximum Award as Percentage of the Annual Incentive Pool	Maximum Potential Award Payment
CEO (Houston)	35%	$12.1 million
Second highest Paid Covered Employee (McCaughan)	25%	$8.6 million
Third highest Paid Covered Employee (Valdés)	20%	$6.9 million
Fourth highest Paid Covered Employee (Everett)	10%	$3.5 million
CFO (Strable)	10%	$3.5 million

The Committee sets the target and maximum annual incentive awards for each Named Executive Officer. The Committee may use its negative discretion to reduce the awards actually payable. After this reduction, maximum annual incentive opportunities are generally 200% of the target annual incentive opportunity. The Committee approved the following target awards for Named Executive Officers in each of the past three years:

Annual Incentive Targets (as a percentage of base salary)

Named Executive Officer	2015	2016	2017
Houston	350%	350%	350%
Strable		100%	150%
Everett			100%
Lillis	100%	100%	100%(1)
McCaughan	300%	300%	400%
Valdés	75%	75%	100%

(1) Mr. Lillis did not participate in the Annual Incentive Plan in 2017 due to his retirement, which was announced February 23, 2016. His annual incentive award was provided under the PrinPay Plan, a broad-based annual incentive compensation plan for employees. Retirees are eligible to receive an award for the calendar year in which they retire. The award is calculated based on eligible earnings during the plan year. The PrinPay Plan links annual incentive pay to individual employee results and overall company performance and profitability. Annual financial and non-financial goals for company performance and individual performance are set. After establishing the company score, an employee's individual goal performance is used to determine the

individual score an employee receives. The corporate component emphasizes the importance of overall corporate results and includes non-GAAP operating earnings and a variety of other financial and non-financial metrics. The Human Resources Committee may also consider factors that could not have been anticipated when corporate goals were established and adjust the score up or down. Mr. Lillis' award was determined by multiplying the corporate score of 106% by Mr. Lillis' individual performance score of 100%. That number (106%) was then multiplied by the base salary of $198,624 Mr. Lillis received prior to his retirement on May 1, 2017, resulting in an annual incentive award of $210,543.

In establishing the target award opportunity for Messrs. Houston, Lillis, McCaughan, and Valdés and Mses. Strable and Everett, the Committee considered the median incentive targets for comparable executive positions in the Peer Group companies, as well as the survey data referenced above. The target award opportunity for Mr. McCaughan has increased consistent with market practice for award opportunities for senior executives in asset management, which are higher than target annual incentive opportunities in other industries.

Performance Goal Setting and Measurement Process

September: The Board meets to review the Company's long term strategy.

November: The CEO, CFO and Division Presidents recommend preliminary financial goals for the Company and business units and strategic initiatives for the next year. The Finance Committee reviews the proposed goals, underlying assumptions of the goals and initiatives, key drivers of financial performance, trends and business

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opportunities and advises the Board and Human Resources Committee on the appropriateness of the financial goals.

February: The Human Resources Committee reviews and approves the final goals for the Company, the CEO and the other Executives with input from the Finance Committee and Board based on prior year end financial results. All employees develop individual performance goals with their leaders that support the Company's goals.

The Committee reviewed 2017 performance on key financial measures and corporate and divisional goals to determine the 2017 annual bonus for the Named Executive Officers. The Committee does not use any particular weighting for these goals; these measures are used as guideposts when the Committee exercises its discretion in its subjective evaluation of these factors. In determining corporate performance for 2017, the Committee reviewed Company achievements on these key financial goals:

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Goal	2017 Assessment
1. Achieve appropriate Non-GAAP Operating Earnings and earnings per share.	For 2017, the target for Non-GAAP Operating Earnings was $1,490M and the target for Non-GAAP Operating Earnings per diluted share was $5.11. 2017 Non-GAAP Operating Earnings(2) were $1,479M and Non-GAAP Operating Earnings per share(2) was $5.04.
	In addition, Messrs. McCaughan and Valdés and Ms. Everett had Operating Earnings(1) goals as follows:

	Operating Earnings Goal(1)	Operating Earnings Result(1)
Principal Global Investors	$465M	$469.7M
Principal International	$356M	$330M
Retirement and Income Solutions	$859M	$899.8M
U.S. Insurance Solutions	$427.2M	$384.7M

Goal	2017 Assessment
2. Capital Ensure sufficient capital and liquidity to maintain strong financial strength ratings relative to peers and to be able to execute upon our strategy.	All capital and liquidity measures are within target ranges.
3. Investments Take actions to invest in optimal assets on a risk-adjusted basis. Acquire assets during the year in alignment with the Tactical	a) Achieved a 19 basis point spread on acquired assets, above the target range. b) 2017 bond and commercial mortgage loan credit losses were $76.5M, within the target range.

Asset Allocation.	
4. Minimize credit loss.	Assets acquired during the year aligned with the Company's Tactical Asset Allocation. The current portfolio was managed to appropriately reflect losses and impairments based on the target blended overall range of 6-9 basis points after-tax. Performance relative to the credit loss goal was within the desired original range and was mitigated by very strong performance in commercial mortgage losses; the result continues below long-run pricing assumptions, as appropriate for this time in the credit cycle; and the Company's investment portfolio was managed against headwinds from the commodity sensitive sectors that resulted in modest losses on par with, if not better than, our peers.
5. Total Company Revenue/Net Revenue	Mr. Houston and Ms. Strable had goals for total company revenue and net revenue. The Company had total revenue(2) of $13,703M against a goal of $13,075M and net revenue(2) of $5,717M relative to a goal of $5,680M. In addition, Mr. Valdés and Ms. Everett had Net Revenue goals specific to the business units they oversee and Mr. McCaughan had an Operating Revenue less Pass-Through Commissions goal for Principal Global Investors:

Named Executive Officer		Net Revenue Goal	Net Revenue Result
Valdés	**Principal International**	$757.9M	$760.1M
Everett	**Retirement Income Solutions**	$2,104.8M	$2,138.7M

Named Executive Officer		Operating Revenue less Pass-Through Commission Goal	Operating Revenue less Pass-Through Commission Result
McCaughan	**Principal Global Investors**	$1,261.8M	$1,284.8M

6. Risk Management.	The Company's risk management program remains effective and integrated, and our risk culture is sound. For example, we retained our "strong" ERM rating with Sandard & Poors.

(1) All pretax Operating Earnings.

(2) This is a non-GAAP financial measure. See non-GAAP financial measure reconciliations in Appendix B.

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Final Annual Incentive Pay Award Determination

The following table shows the annual incentive award for each of the Named Executive Officers whose annual incentive opportunities are determined under the Annual Incentive Plan. The column "Reduction from Maximum Award" shows the amount by which the Committee reduced the maximum bonuses to determine the awards paid.

Name	2017 Salary	2017 Target	Final Award	% of Target	Reduction From Maximum Award
Houston	$ 900,000	350%	$ 3,339,000	106%	$ 8,761,000
Strable	$ 562,000	150%	$ 938,000	111%	$ 2,562,000
Everett	$ 529,500	100%	$ 561,000	106%	$ 2,939,000
McCaughan	$ 679,500	400%	$ 2,881,000	106%	$ 5,719,000
Valdés	$ 603,500	100%	$ 640,000	106%	$ 6,260,000

Executives may defer annual awards into the Excess Plan, as illustrated in the footnote to the Non Equity Incentive Compensation column of the Summary Compensation Table, on pages 41-43. As noted on page 33, Mr. Lillis received an annual incentive award of $210,543 under the PrinPay Plan.

Long term Incentive Compensation

The long term incentive compensation program is designed to align the interests of Executives and shareholders. The compensation the Executives receive reflects the degree to which multiyear financial objectives are achieved and shareholder value is increased. The long term focus of the compensation programs supports the Company's businesses, for which long term performance is critical, such as retirement products, life insurance and asset management. The long term incentive compensation program also encourages collaboration among Executives in pursuing corporate wide goals.

The Committee establishes a target long term incentive award opportunity for each Named Executive Officer, stated as a percentage of each Named Executive Officer's base salary, based on Peer Group and survey data, and on the advice of its independent compensation consultant. The Committee uses the following factors to adjust the target award and determine the actual award to be granted to each Named Executive Officer ("Award Granted"):

- Current competitive market data;
- The Named Executive Officer's past performance;
- The Named Executive Officer's current compensation;
- Retention concerns;
- Tenure in role;
- The importance of the Named Executive Officer to the Company over the long term;
- The potential impact the Named Executive Officer could have on the Company's results; and

The Executive's performance relative to the Named Executive Officer's peers within the Company.

The compensation ultimately received by Named Executive Officers may vary considerably from the grant date fair value of the Award Granted, due to the Company's performance and changes in share price that occur after the grant.

2017 Long Term Incentive Target & Grant (as % of base salary)

Named Executive Officer	Target %	Award Granted
Houston	600%	550%
Strable	275%	275%
Lillis	275%	275%
Everett	225%	250%
McCaughan	350%	350%
Valdés	225%	250%

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The long term incentive targets were established by the Committee to be market competitive with award opportunities for comparable positions in Peer Group companies. Mr. Houston's award opportunity is greater than those of the other Named Executive Officers because he is CEO and has overall responsibility for the Company.

Executives' long term compensation is provided as non-qualified stock options and PSUs, which each represent 50% of the total grant date fair value. PSUs entitle the Executive to earn shares of Common Stock if certain levels of performance are achieved. The Committee uses stock options as part of the long term incentive program because options are an effective way to link an Executive's compensation to changes in shareholder value. The weighting is not based on a specific formula or algorithm and is intended to create a balance between the achievement of specific operating objectives and changes in shareholder value based on the Committee's judgment, which may change from time to time.

Stock options have a ten year term and an exercise price equal to the closing price on the date of grant. Stock options vest in three equal annual installments starting on the first anniversary of the grant date.

PSUs vest based on continued service and achieving financial objectives over a three year period (with each three year period treated as a "Performance Cycle"). Executives may defer the receipt of PSUs.

For the 2017 PSUs, the performance threshold is met if either of the following goals is met:

- Three year average operating ROE[6] of 7.5%; or
- $2 billion cumulative pretax operating income ("OI")[7]

If either the ROE or OI objective is met or exceeded, the number of units earned is determined using two performance measures, each weighted 50%, to determine the percentage of target PSUs actually earned.

- Average operating ROE: this measure was selected because it reflects the efficient use of Company capital in generating profits.
- Book Value per Share[8] threshold tied to ROE performance measure:
  - If the average Book Value per Share is between $35.85 and $40.80, the ROE performance score will be reduced by 50%.
  - If the average Book Value per Share is below $35.85, the ROE performance score will be reduced to 0%.
- Average Pre-tax Return on Net Revenue[9] was selected as a measure because it is common among asset management peers and reflects the efficient use of Company expenditures in generating profits.

2017-2019 PSU Performance Scale

Performance Level	Threshold Award	Target Award	Maximum Award (150% of Target)
Payout (% of Target)[1]	50%	100%	150%
Average ROE	7.2%	14.5%	18.8%
Average Pre-tax RONR	28.4%	33.4%	38.4%

If neither the ROE nor the OI

threshold performance objective is met, **no PSUs** will be earned or paid out.

(1) Straight line interpolation is used to determine awards for performance between threshold and target and between target and maximum.

Timing of Stock Option Awards and Other Equity Incentives

Annual grants of stock options and PSUs for Principal Executives are determined by the Committee at its February meeting which occurs following the release of the prior year's results. The Committee formalized its long standing practices by adopting a policy in 2006 regarding granting stock options and other equity awards. Under this policy,

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(6) Operating return on equity (ROE) is defined as Non GAAP Operating Earnings divided by common equity excluding accumulated other comprehensive income, other than foreign currency translation adjustment.

(7) Pre tax operating income is defined as income from continuing operations before income taxes per the audited Consolidated Statements of Operations less net realized/unrealized capital gains (losses), less preferred stock dividends declared, less net income attributable to noncontrolling interest.

(8) Book value per share is defined as total ending common equity excluding other comprehensive income divided by the number of common shares outstanding end of year.

(9) Pre tax return on net revenue is defined as pre tax Non GAAP Operating Earnings is divided by net revenue. Net revenue is defined as total operating revenue less benefits, claims, and settlement expenses less dividends to policyholders.

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the grant date for all stock options and other stock based awards shall never be earlier than the date of approval, and shall be:

For all annual awards to Executives, the date of approval by the Committee;

For new employees and promotions, the later of the date of approval or the employee's hire/promotion date;

In the event of an award connected with an established stock program for non Executives, the later of the date of approval or the grant date established by the stock program; and

For any other awards, the date of approval.

Authority of the CEO to Grant Equity Awards:

Under the 2014 Stock Incentive Plan, the Committee has delegated authority to the CEO to make equity awards to sales agents and non Executive employees for new hires, promotions, retention and recognizing superior performance. The Committee receives a report on these grants at the next regular Committee meeting. The total awards granted by the CEO may not exceed 250,000 shares per year.

Benefits

The Named Executive Officers participate in Principal Life's broad based employee benefits program, including:

A qualified pension plan (except Mr. McCaughan(10));

A 401(k) plan;

Group health, dental, vision and disability coverage and life insurance;

A discounted employee stock purchase plan;

Paid time off; and

Flexible spending account plans.

Principal Life also offers all Named Executive Officers (except Mr. McCaughan) a nonqualified defined contribution plan ("Excess Plan") and a defined benefit nonqualified retirement plan ("NQDB"). These benefits are offered to attract and retain talent and provide long term financial security to employees. The NQDB helps the Company attract midcareer Executives and retain Executives by providing competitive retirement benefits. The NQDB is coordinated with the qualified pension plan and is designed to restore benefits that otherwise would accrue to Executives in the absence of Tax Code limitations on the qualified pension plan. The narrative to the Pension Benefits Table on pages 47-49 provides additional information about the NQDB and the qualified pension plan. Principal Life maintains the Excess Plan to help attract and retain Executives by allowing Executives to save for retirement and to provide matching contributions on those savings, without regard to the limitations imposed by the Tax Code on 401(k) plans. The narrative to the Non Qualified Deferred Compensation Table on pages 51-52 provides additional information about the Excess Plan.

The value of the retirement and savings plans for NonGrandfathered Participants (see page 48) is targeted to be, in the aggregate, slightly above the median of diversified financial services companies because a large portion of the Company's business centers on the sale of retirement products. The defined benefit pension plan for Grandfathered Choice Participants (see page 47) has a market value above the median and the 401(k) plan match for Grandfathered Choice Participants is below market median. These benefits were also originally designed to be slightly above market median to attract and retain employees.

All other benefits are targeted at market median in the aggregate, which supports the Company's benefit strategy and aids in attracting and retaining talent.

Change of Control and Separation Pay

The Committee believes it is in the best interests of Principal and its shareholders to:

Assure that Principal will have the continued service of its Executives;

Reduce the distraction of these Executives that would result from the personal uncertainties caused by a pending or threatened Change of Control;

Encourage the Executives' full attention and dedication to Principal; and

Provide the Executives with compensation and benefits upon a termination related to a Change of Control that are competitive with those of similar businesses.

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(10) Mr. McCaughan has not participated in the qualified pension plan, NQDB Plan or Excess Plan since January 1, 2010, due to a compensation and benefit review of asset management companies that showed that these are not common benefits for executives in that industry. This change also applied to other investment professionals.

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For these reasons, Principal has entered into Change of Control Employment Agreements with each of the Executives. These agreements would help the Executives more fairly evaluate a potential acquisition of Principal, particularly when the acquisition would result in termination of the Executive's employment. These Change of Control Employment Agreements are based on market practice and do not affect other components of the Executives' compensation. When entering into these agreements, the Committee reviewed survey data and practices of other public insurance and financial services companies. The Committee continues to review market practices in this area for potential changes in these agreements.

All benefits provided to the Executives upon a Change of Control are paid after both a Change of Control and qualifying termination of employment have occurred (sometimes referred to as a double trigger), except that the then current value of the Executive's Excess Plan and NQDB will be paid upon a Change of Control to ensure that the value of those plans is not reduced if the Company is sold. These agreements do not provide excise tax gross ups. See pages 53-55 for details.

The Company has a severance plan to provide benefits to employees whose employment is terminated by the Company due to a reorganization or reduction in the workforce. Additional payments may be permitted in some circumstances as a result of negotiations with Executives, particularly when Principal requests additional covenants from the Executives.

Stock Ownership Guidelines

Executives are required to own stock in Principal to ensure their interests are aligned with the shareholders' interests and with the long term performance of Principal. Once the Executive achieves the required stock ownership level based on market value, the ownership requirement remains at the number of shares owned at the time, regardless of subsequent changes in stock price or salary. Upon promotion, the Executive is required to meet the next level of stock ownership.

Until the ownership guideline is met, Executives are required to retain a portion of the "net profit shares" resulting from equity based long term incentive plan grants. Net profit shares are the shares remaining after payment of the option exercise price and taxes owed at time of exercise, vesting of RSUs or earn out of performance shares. The percentage of net profit shares that must be retained until the multiple of salary guidelines are met are shown below:

Executive Level	Retention Ratio	Multiple of Base Salary
Chairman (Houston)	75%	5 times
Division Presidents & Executive Vice Presidents (Everett, Lillis, McCaughan, Strable & Valdés)	50%	3 times

All Named Executive Officers comply with these guidelines.

Claw Back Policy

The Committee has also adopted a compensation recovery policy that applies to Executives. Principal can recover incentive compensation if the amount of the compensation was based on achievement of financial results that were subsequently restated if the Committee decides that the Executive engaged in fraud or intentional misconduct that caused the restatement of the Company's financial statements, and if the amount of the Executive's incentive compensation or equity award would have been lower had the financial results been properly reported.

Trading Policy

Principal prohibits Directors and employees, including Executives, from:

- Purchasing Principal securities "on margin" (i.e., with the proceeds of a loan from a brokerage firm when the loan is secured by Principal securities), except for the exercise of employee stock options.
- Short sales;

Trading in put or call options; and

Purchasing, directly or through a designee, any financial instrument (including prepaid variable forward contracts, equity swaps, collars and exchange funds) that is designed to hedge or offset any decrease in the market value of Principal securities.

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Succession Planning

The Human Resources Committee, the CEO and the head of Human Resources have an ongoing focus on executive development and succession planning to prepare Principal for future success. In addition to preparing for CEO succession, the succession planning process includes all key executive positions. A comprehensive review of executive talent, including assessments by an independent consulting firm, has determined participants' readiness to take on additional leadership roles and identified the developmental and coaching opportunities needed to prepare them for greater responsibilities. The CEO makes a formal succession planning presentation to the Board of Directors annually. CEO succession planning is a responsibility of the entire Board and all members participate. In addition, the Company has an emergency succession plan for the CEO that is reviewed by the Board annually.

Human Resources Committee Report

The Human Resources Committee of the Company has reviewed and discussed the foregoing Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management, and based on such review and discussion, the Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement.

Michael T. Dan, Chair
C. Daniel Gelatt
Roger C. Hochschild
Scott M. Mills
Diane C. Nordin
Elizabeth E. Tallett

Risk Assessment of Employee Incentive Plans

The Human Resources Compensation Department and the chief risk officers in the business units conducted a review and analysis of the Company's employee incentive compensation plans to determine whether the plans are reasonably likely to have a material adverse effect on the Company, and reviewed their processes and conclusions with the Chief Risk Officer. The following factors, among others, were assessed:

- Plan design;
- Performance metrics and quality of goal setting;
- Administrative procedures, including governance practices and plan compliance;
- Plan compliance, communications and disclosures;
- Potential risks created by the plans;
- Risk control factors and their effectiveness; and
- Inherent and residual risk ratings.

Some key factors that mitigate risks of the Company's incentive plans are the Company's stock ownership guidelines for Executives, the compensation recovery policy and the Human Resources Committee's ability to exercise its judgment in evaluating the quality of performance achievements when determining earned compensation. Employees are prohibited from purchasing the Company's securities on margin (except for the exercise of stock options), engaging in short sales or trading in any put or call options; and purchasing, directly or through a designee, any financial instrument (including prepaid variable forward contracts, equity swaps, collars and exchange funds) designed to hedge or offset any decrease in the market value of Company securities.

A summary of the assessment process and conclusions was reviewed with the Human Resources Committee. Based on this analysis, the Company has determined that its employee incentive compensation plans are designed to encourage behaviors that create and maintain shareholder value, do not encourage excessive risk, and are not reasonably likely to have a material adverse effect on Principal.

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Summary Compensation Table

The following table sets forth the compensation paid to the Named Executive Officers for services provided to the Company and its subsidiaries during 2015, 2016 and 2017.

Name	Year	Salary(1)	Bonus	Stock Awards(2)(3)	Option Awards(2)	Non Equity Incentive Compensation(4)	Change in Pension Value and Non Qualified Deferred Compensation Earnings(5)	All Other Compensation(6)	Total(7)
Houston	2017	$ 880,769	$ 0	$ 2,474,976	$ 2,475,016	$ 3,339,000	$ 2,552,608	$ 236,367	$ 11,958,736
	2016	$ 795,192	$ 0	$ 2,000,017	$ 1,999,983	$ 2,744,000	$ 1,269,557	$ 161,959	$ 8,970,708
	2015	$ 735,577	$ 0	$ 1,434,366	$ 1,434,390	$ 1,482,000	$ 0	$ 118,193	$ 5,204,526
Strable	2017	$ 556,808	$ 0	$ 772,759	$ 772,772	$ 938,000	$ 689,264	$ 62,971	$ 3,792,574
	2016	$ 488,846	$ 0	$ 606,266	$ 606,236	$ 446,000	$ 337,492	$ 50,084	$ 2,534,924
Everett	2017	$ 518,154	$ 0	$ 661,890	$ 661,851	$ 561,000	$ 614,109	$ 54,613	$ 3,071,617
Lillis	2017	$ 198,625	$ 0	$ 257,524	$ 257,514	$ 210,543	$ 229,192	$ 23,478	$ 1,176,876
	2016	$ 564,327	$ 0	$ 851,255	$ 851,261	$ 584,000	$ 693,185	$ 41,340	$ 3,585,368
	2015	$ 567,346	$ 0	$ 826,516	$ 826,496	$ 440,000	$ 0	$ 51,482	$ 2,711,840
McCaughan	2017	$ 676,904	$ 0	$ 1,189,116	$ 1,189,128	$ 2,881,000	$ 84,047	$ 13,682	$ 6,033,877
	2016	$ 663,500	$ 0	$ 1,082,263	$ 1,082,253	$ 1,958,000	$ 73,538	$ 13,500	$ 4,873,054
	2015	$ 673,731	$ 0	$ 1,061,145	$ 1,061,134	$ 1,563,000	$ 46,816	$ 13,702	$ 4,419,528
Valdés	2017	$ 601,192	$ 0	$ 754,364	$ 754,400	$ 640,000	$ 148,847	$ 76,994	$ 2,975,797
	2016	$ 589,288	$ 0	$ 739,376	$ 739,396	$ 413,000	$ 112,356	$ 74,761	$ 2,668,177
	2015	$ 598,385	$ 0	$ 724,984	$ 724,959	$ 329,000	$ 113,838	$ 68,003	$ 2,559,169

(1) Includes 2017 salary deferred into the qualified 401(k) Plan and the Excess Plan, as shown below (information on deferrals for 2016 was included in last year's proxy statement):

Named Executive Officer	401(k) Employee Contribution	Excess Plan Employee Contributions	Total Employee Contributions
Houston	$ 17,808	$ 70,462	$ 88,270
Strable	$ 18,000	$ 55,681	$ 73,681

Everett	$	12,738	$	41,452	$	54,190
Lillis	$	15,913	$	11,918	$	27,831
McCaughan	$	18,000	$	0	$	18,000
Valdés	$	23,606	$	29,759	$	53,365

(2)

Amounts represent the aggregate grant date fair value amounts for awards and options granted in the year noted. The assumptions for the valuation of stock option awards under the ASC Topic 718 for awards included in the Summary Compensation Table are as follows:

Grant Date		Exercise Price	Volatility	Expected Term	Dividend Yield	Risk Free Interest Rate
February 23, 2015	$	51.33	52.21%	6.5 years	2.805%	1.80%
February 22, 2016	$	37.38	31.67%	6.5 years	4.066%	1.47%
February 27, 2017	$	62.78	27.65%	7.0 years	2.867%	2.18%

The grant date fair value per share of each RSU or PSU granted on the same date as an option listed in the above table was equal to the exercise price reported for options granted on such date.

(3)

PSUs will be earned and paid in shares of Common Stock only if performance requirements are met or exceeded. The PSUs are eligible for dividend equivalents, and the dividend equivalents are subject to the same performance requirements as the corresponding PSUs and are only earned if the performance measures are met or exceeded. The maximum payout for the 2015, 2016, and 2017 PSUs is 150% of the target number of PSUs. If the

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PSUs granted in 2017 are earned at the maximum payout, the grant date value of such PSUs would be as shown in the following table, and the amounts reported in the Stock Awards column, above, would be increased by the amount shown in the column to the far right of the following table.

Named Executive Officer	Amount by Which Aggregate Grant Date Values Reported Would be Increased
Houston	$ 1,237,488
Strable	$ 386,380
Everett	$ 330,945
Lillis	$ 390,146
McCaughan	$ 594,558
Valdés	$ 377,182

(4)

The amounts shown represent annual incentive compensation awards earned in 2017 and paid in 2018 and include the following amounts deferred into the qualified 401(k) Plan and Excess Plan:

Named Executive Officer	Employee Contributions on Incentive Pay
Houston	$ 272,274
Strable	$ 234,500
Everett	$ 55,734
Lillis	$ 0
McCaughan	$ 0
Valdés	$ 51,425

(5)

Assumptions underlying the determination of the amount of increase in actuarial value for both the qualified and nonqualified pension plans are disclosed on page 49. Changes in these assumptions and compensation changes will impact this value annually. There are no above market earnings on deferred compensation.

In past proxy statements, the same actuarial assumptions have been used regardless of whether a Named Executive Officer with a benefit under the traditional pension formula has elected to receive their NQDB plan distribution in the form of an annuity or as a lump sum payment. Because a different discount rate is used for determining lump sum payments, the company has changed the assumptions used to value the NQDB reflected in the Summary Compensation Table to reflect the Named Executive Officer's elected form of distribution. This is a better reflection of the value of the benefit that will ultimately be paid to the Named Executive Officer.

(6)

All Other Compensation for the Named Executive Officers consists of the following:

Name	Perquisites & Other Personal Benefits(a)	Principal Life Contributions to Defined Contribution Plans(b)	Total
Houston	$ 18,881	$ 217,486	$ 236,367
Strable	$ 2,803	$ 60,168	$ 62,971
Everett	$ 3,607	$ 51,006	$ 54,613
Lillis	$ 0	$ 23,478	$ 23,478
McCaughan	$ 182	$ 13,500	$ 13,682
Valdés	$ 16,407	$ 60,587	$ 76,994

(a)

Represents the incremental aggregate cost to Principal for all perquisites provided during the year. Amounts include the value of an annual physical examination, business spousal travel, and gifts given to all sales conference attendees.

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(b)

The amounts shown below are Principal Life's matching contributions to the 401(k) Plan and the Excess Plan. The Excess Plan's matching contributions are also included in Principal Life's contributions in the NonQualified Deferred Compensation table on page 50.

Named Executive Officer	401(k) Matching Contribution Made by Principal Life	Excess Plan Matching Contribution Made by Principal Life	Total
Houston	$ 13,500	$ 203,986	$ 217,486
Strable	$ 13,500	$ 46,668	$ 60,168
Everett	$ 13,500	$ 37,506	$ 51,006
Lillis	$ 6,817	$ 16,661	$ 23,478
McCaughan	$ 13,500	$ 0	$ 13,500
Valdés	$ 13,500	$ 47,087	$ 60,587

(7)

Sum of the total dollar value of the other columns in this table.

Grants of Plan Based Awards for Fiscal Year End December 31, 2017

	Grant	Estimated Future Payouts Under Non Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards(2)			Other Stock	Other Option	Exercise	
	Date	Threshold	Target	Maximum(1)	Threshold	Target	Maximum	Awards	Awards(3)	Price(4)	V
		N/A $	3,150,000 $	12,100,000							
	02/27/2017				9,856	39,423	59,135			$ 62.78	$ 2,4
	02/27/2017								161,660	$ 15.31	$ 2,4
		N/A $	843,000 $	3,500,000							
	02/27/2017				3,077	12,309	18,464			$ 62.78	$ 7
	02/27/2017								50,475	$ 15.31	$ 7
		N/A $	529,500 $	3,500,000							
	02/27/2017				2,636	10,543	15,815			$ 62.78	$ 6
	02/27/2017								43,230	$ 15.31	$ 6
han		N/A $	2,718,000 $	8,600,000							
	02/27/2017				4,735	18,941	28,412			$ 62.78	$ 1,1

02/27/2017							77,670	$ 15.31	$ 1,
	N/A	$ 603,500	$ 6,900,000						
02/27/2017				3,004	12,016	18,024		$ 62.78	$ 7
02/27/2017							49,275	$ 15.31	$ 7

(1)

The maximum award shown is the maximum aggregate award payable under the Annual Incentive Pay Plan for the Named Executive Officers, based on the Bonus Pool. In determining the actual annual incentive award payable, the Human Resources Committee exercises negative discretion to reduce the amount payable from the maximum award determined under the Annual Incentive Pay Plan as described on pages 32-36.

(2)

These columns reflect PSUs granted on February 27, 2017. These PSUs will vest, if at all, according to the 2017-2019 PSU performance scale outlined on page 37. The maximum payout for the 2017 PSUs is 150% of the target number of PSUs.

(3)

The options vest in three equal annual installments beginning on the first anniversary of the grant date. The options are not eligible for dividend equivalents. The number of stock options awarded to each Named Executive Officer in a given year is calculated by dividing the grant date fair value of one option into the portion of the Adjusted Target Award Opportunity (50%) to be delivered in options, using the Black-Scholes model.

(4)

The per-share option exercise price is the closing price of the Common Stock on the date of grant.

(5)

Represents the grant date fair value of the award at target.

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Outstanding Equity Awards at Fiscal Year End December 31, 2017

	Option Awards				Stock Awards			
Name	Number of Securities Underlying Unexercised Options Exercisable(1)	Number of Securities Underlying Unexercised Options Unexercisable	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock that Have Not Vested(2)	Market Value of Shares or Units of Stock that Have Not Vested	Equity Incentive Plan Awards: Number of Unearned Shares, Units, or Other Rights that have not vested(3)	Equity Incentive Plan Awards: Market or payout value of Unearned Shares, Units, or Other Rights that have not vested(4)
Houston	89,750	0	$ 30.70	02/25/2023				
	59,060	0	$ 44.88	02/24/2024				
	46,806	23,404	$ 51.33	02/23/2025			30,684	$ 1,963,162
	74,821	149,644	$ 37.38	02/22/2026			53,505	$ 3,775,313
	0	161,660	$ 62.78	02/27/2027			39,423	$ 2,781,687
Strable								
	22,680	45,360	$ 37.38	02/26/2026			16,219	$ 1,144,413
	0	50,475	$ 62.78	02/27/2027			12,309	$ 868,523
Everett	0	43,230	$ 62.78	02/27/2027			10,543	$ 743,917
Lillis	62,760	0	$ 30.70	02/25/2023				
	42,085	0	$ 44.88	02/24/2024				
	40,455	0	$ 51.33	02/23/2025			17,681	$ 1,131,230
	31,847	63,693	$ 37.38	02/26/2026			22,773	$ 1,606,863
	16,820	0	$ 62.78	02/27/2027			4,102	$ 289,437
McCaughan	83,630	0	$ 30.70	02/25/2023				
	54,540	0	$ 44.88	02/24/2024				
	34,626	17,314	$ 51.33	02/23/2025			22,700	$ 1,452,346
	40,488	80,977	$ 37.38	02/26/2026			28,953	$ 2,042,924
	0	77,670	$ 62.78	02/27/2027			18,941	$ 1,336,477
Valdés	0	11,829	$ 51.33	02/23/2025			15,509	$ 1,131,230

0	55,323	$	37.38	02/26/2026	19,780	$	1,395,677
0	49,275	$	60.78	02/27/2027	12,016	$	847,849

(1)
All options vest in three equal installments on the first, second and third anniversaries of the grant date. Each of these options is also subject to accelerated vesting in certain events, such as the Named Executive Officer's death, disability or retirement (awards granted prior to January 1, 2016), or upon the occurrence of a Change of Control.

(2)
All RSUs vest on the third anniversary of the grant date.

(3)
The PSUs granted in 2015 vested on December 31, 2017 and are disclosed at 100% of target in accordance with ASC Topic 718. The PSUs granted in 2016 will vest on December 31, 2018 and will pay out based on performance against certain ROE and Book Value/Share performance goals, but only if either the ROE or operating income threshold performance measure is met as approved by the Human Resources Committee. PSUs granted in 2017 will vest on December 31, 2019, and will pay out based on performance against certain ROE and BV/Share performance goals, but only if either the ROE or operating income threshold is met as approved by the Human Resources Committee.

(4)
Assumes a stock price of $70.56 per share, the closing price of a share of Common Stock on the last trading day of the year, December 29, 2017, reported for the Nasdaq.

Named Executive Officers may defer PSUs that are earned and would otherwise be paid shortly after the performance period. Annual cash incentive awards, as shown in the NonEquity Incentive Compensation column of the Summary Compensation Table, may also be deferred into the Excess Plan.

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Option Exercises and Stock Vesting

The following table provides information concerning the exercise of stock options and the vesting of RSUs and PSUs during calendar year 2017 for each Named Executive Officer on an aggregated basis.

	Option Awards		Stock Awards	
Named Executive Officer	Number of Shares Acquired on Exercise	Value Realized on Exercise(1)	Number of Shares Acquired on Vesting	Value Realized on Vesting(2)
Houston	169,145	$ 5,393,666	30,684	$ 1,963,162
Strable	62,182	$ 1,720,346	9,519	$ 609,026
Everett	71,455	$ 1,771,409	9,519	$ 609,026
Lillis	7,380	$ 14,465	17,681	$ 1,131,230
McCaughan	243,265	$ 7,057,199	63,410	$ 4,247,131(3)
Valdés	98,948	$ 1,885,800	35,864	$ 2,389,659(3)

(1) Represents the difference between the market price of the underlying shares of Common Stock on the date of exercise and the exercise price of the exercised option.

(2) Represents the market value of PSUs granted in 2015 that settled on February 26, 2018, at $63.98 upon Committee approval of the final performance modifier of 100%. The actual payout was determined applying negative discretion.

(3) Includes one-time recognition/retention RSUs granted in 2015 and settled on November 24, 2017, at $68.65.

CEO Pay Ratio

In August 2015, pursuant to a mandate of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the SEC adopted a rule requiring annual disclosure of the ratio of the Company's median employee's annual total compensation to the total annual compensation of the principal executive officer. Mr. Houston, Principal's Chairman, President and CEO, is the Company's principal executive officer.

Median employee total annual compensation: $100,355
Mr. Houston's total annual compensation: $11,958,735
Ratio of CEO compensation to the Median Employee Compensation: 119:1

In determining the median employee, we reviewed the base salary and bonus payments for all of Principal's U.S. employees and Career Agents, and employees in Chile, India and Mexico as of October 1, 2017. All compensation was converted to U.S. dollars, using the relevant exchange rate for any compensation paid in other currencies. Base salaries were annualized for full and part-time employees who were not employed for the full year of 2017. The value of the Company's 401(k) plan, pension plan, medical benefits and welfare benefits was included in determining the Company's median employee, who is in the U. S. Principal uses market data to establish pay ranges, and employee performance is considered when determining pay. On December 31, 2017, the Company employed 10,376 U.S. based employees, had 957 Career Agents (who are statutory employees and are paid commissions rather than base salary and bonuses) 1,930 employees in Chile, 1,322 employees in Mexico and 1,410 employees in India.

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Non-U.S. employees in other jurisdictions, who constitute less than five percent of the total number of employees, were not included in the calculation as permitted by the "De Minimis Exemption" adjustment under SEC rules. As of December 31, 2017, the number of employees in these countries was:

Australia	20
Brazil	59
China	2
Europe	79
Germany	3
Hong Kong	331
Japan	29
Middle East	5
Netherlands	3
Singapore	28

The pay ratio is not used for determining compensation. The Company's pay ratio may not be comparable to the pay ratios of other companies as they may have different employment and compensation practices and may use different methods, estimates and assumptions for calculating their pay ratios.

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Pension Plan Information

Participant Group	Pension Benefit Formula
Grandfathered Participants Grandfathered Participants were age 47 or older with at least ten years of service on December 31, 2005, and elected to retain the prior benefit provisions under the Defined Benefit ("DB") Plan and the NQDB and to forego receipt of the additional matching contributions offered under the 401(k) and Excess Plans.	**Defined Benefit Plan (Traditional Formula)** 39.2% of Average Compensation (the highest five consecutive years' total Payout of the past ten years of Pay. "Pay" is the Named Executive Officer's base salary and annual incentive bonus up to the Tax Code limits) below the Integration Level[(1)] plus 61.25% of Average Compensation above the Integration Level. **Cash Balance Plan** The Annual Pay Credits are calculated using the table below

Age+ Service Years (Points)	Annual Pay Credit Contribution on All Pay	Annual Pay Credit Contribution on Pay Above Taxable Wage Base(2)
< 40	4.00%	2.00%
40 49	5.50%	2.75%
50 59	7.00%	3.50%
60 69	9.00%	4.50%
70 79	11.50%	5.75%
80 or more	14.00%	7.00%

NQ Defined Benefit

Participant Group	Pension Benefit Formula
Mr. Lillis is receiving a retirement benefit under the Traditional Formula.	The NQDB benefit formula for Grandfathered Participants hired before January 1, 2002 is the greater of: 65% of Average Compensation, offset by Social Security and DB Plan benefits; or

The greater of the traditional or cash balance DB Plan benefit for Grandfathered Participants without regard to Tax Code limits, offset by the benefit that can be provided under the DB Plan.

(1) The Covered Compensation Table in the Tax Code.

(2) The Social Security Taxable Wage Base.

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Participant Group	Pension Benefit Formula
Non Grandfathered Participants Non Grandfathered Participants will receive the greater of the benefit provided under the Traditional Benefit Formula or the Cash Balance Formula.	**Defined Benefit Plan (Traditional Formula)** 35% of Average Compensation below the Integration Level plus 55% of Average Compensation above the Integration Level. **Cash Balance Plan** The Annual Pay Credits are calculated using the table below

Age+ Service Years (Points)	Annual Pay Credit Contribution on All Pay	Contribution on Pay Above Taxable Wage Base(2)
< 40	3.00%	1.50%
40 59	4.00%	2.00%
60 79	5.50%	2.75%
80 or more	7.00%	3.5%

	Non Qualified Defined Benefit
The retirement benefit for **Mr. Houston and Mses. Strable and Everett** will be the greater of the Traditional or Cash Balance Formulas.	The NQDB benefit formula for Non Grandfathered Participants hired before January 1, 2002 is:
Mr. McCaughan's retirement benefit will be the Cash Balance Formula. He has not accrued any benefits under this plan since January 1, 2010.	The traditional or cash balance pension plan benefit for Non Grandfathered Choice Participants (whichever is greater) without regard to Tax Code limits, offset by the benefit that can be provided under the DB Plan.
Mr. Valdés primary retirement benefit will be the Cash Balance Formula. Mr. Valdés will also have a small benefit under the Traditional Formula due to service prior to January 1, 2006.	For employees who were active participants in the plan on December 31, 2005, their accrued benefit will not be less than their accrued benefit determined as of that date. **For both groups, there is a reduction if payments start earlier than Normal Retirement Age (Traditional Benefit Formula only):**

Principal subsidizes early retirement if the Named Executive Officer remains employed until Early Retirement Age (age 57 with 10 years of service), which is the earliest date an employee may begin receiving retirement benefits.

The early retirement benefits for Grandfathered Choice Participants (and Non Grandfathered Choice Participants for benefits accrued prior to January 1, 2006) range from 75% at age 57 to 100% at age 62. The early retirement benefits for Non Grandfathered Choice Participants for benefits accrued after December 31, 2005 range from 75% at age 57 to 97% at age 64.

If the Named Executive Officer terminates employment before reaching Early Retirement Age, Principal Life does not subsidize early retirement. The early retirement benefits range from 58.6% at age 57 to 92.8% at age 64.

Benefits under the Traditional Formula are eligible for a Cost of Living Adjustment (COLA) after retirement benefits begin. For Non Grandfathered Participants only benefits accrued as of December 31, 2005 receive this adjustment. The COLA is based on the Consumer Price Index.

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Pension Distributions

Participants receive an annuity under the traditional benefit formula in the DB Plan. The qualified cash balance benefit formula in the DB Plan allows for benefits as an annuity or lump sum.

NQDB benefits may be paid as a lump sum at termination/retirement, or as an annuity. Distributions may also be allowed at death or a change of control. For participants in the plan prior to January 1, 2010, a mandatory payment occurs at age 65, and they may elect for payments on a specified date between age 60 and 65.

Pension Benefits

Named Executive Officer	Plan Name	Number of Years Credited Service(1)	Present Value of Accumulated Benefit at Normal Retirement Age(2)	Payments During Last Fiscal Year
Houston	Qualified Pension	33	$ 1,104,743	$0
	NQDB		$ 6,477,115	$0
Strable	Qualified Pension	26	$ 713,753	$0
	NQDB		$ 1,494,187	$0
Everett	Qualified Pension	26	$ 1,178,140	$0
	NQDB		$ 1,683,167	$0
Lillis[3]	Qualified Pension	35	$ 2,402,823	$67,375
	NQDB		$ 0	$5,557,462
McCaughan	Qualified Pension	7	$ 222,713	$0
	NQDB		$ 1,840,190	$0
Valdés	Qualified Pension	7	$ 209,757	$0
	NQDB		$ 480,031	$0

(1) As of December 31, 2017.

(2) Benefit calculations have been made using the following assumptions:

Annuity Basis Discount Rate (for Traditional Benefit): 4.15% for December 31, 2016 and 3.60% for December 31, 2017 benefits. Traditional benefits under the qualified DB Plan must be paid as annuity. Under the NQDB Plan, Named Executive Officers may elect whether benefits will be paid as annuity or in a single sum payment. Ms. Strable has elected her NQDB benefit to be paid as an annuity;

Lump Sum Basis Discount Rate (for Traditional Benefit): for those Named Executive Officers who have elected to receive their traditional NQDB benefits in a single lump sum payment (Messrs. Houston, Lillis and Valdés and Ms. Everett) the present value of their December 31, 2017 Traditional NQDB benefits have been determined using a discount rate of: 5.70% for expected lump sums in 2019 or later; 6.30% for lump sum payments expected to be made in 2018.

Annuity Mortality: RP-2006 Rates (baseline from SOA RP-2014)

Improvement: For December 2016, RPEC-2014-v2016 model using historical data through 2014 (graduated data through 2012). For December 31, 2017, RPEC-2014-v2017 model using historical data through 2015 (graduated data through 2013).

Convergence: 7-year to SSA 2010-2088 improvement scale (SSA Trustees Report 2014).;

Lump Sum Mortality: 1994 GAR Projected to 2008 Unisex, Scale AA;

Cost of living increase: 1.5% for December 31, 2016 benefits and December 31, 2017 benefits;

Retirement age of 65 for Mr. Houston and Mses. Strable and Everett, who will have reduced benefits prior to that point. Retirement age of 65 for Mr. Valdés frozen traditional benefit plus current cash balance account. Current cash balance account for Mr. McCaughan;

The present value of the cash balance benefit is the current account balance projected with the cash balance interest crediting rate to age 65 and then discounted back to the current age using the annuity basis discount rate with no mortality (Mr. McCaughan's and Mr. Valdés' cash balance account); and

Cash balance interest crediting rate of 5.5% for December 31, 2016, and 5.0% for December 31, 2017.

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(3) Mr. Lillis retired May 1, 2017, and received a single sum payment under the NQDB plan following the six month delay required for specified employees under Tax Code Section 409A. Monthly annuity payments began under the qualified pension plan June 30, 2017, and the payments during the fiscal year represent the sum of the seven payments made during 2017.

Non Qualified Deferred Compensation

Named Executive Officer	Executive Contributions in Last Fiscal year(1)	Principal Life Contributions in Last Fiscal Year(2)	Aggregate Earnings in Last Fiscal Year	Aggregate Withdrawals / Distributions	Aggregate Balance at Last Fiscal Year End(4)
Houston	$ 289,982	$ 203,986	$ 668,961	$0	$ 3,907,328
Strable	$ 144,881	$ 46,668	$ 107,769	$0	$ 1,486,327
Everett	$ 66,008	$ 37,506	$ 402,924	$0	$ 1,985,603
Lillis(3)	$ 46,958	$ 16,661	$ 196,382	$1,216,706	$ 0
McCaughan	$ 0	$ 0	$ 780,073	$0	$ 3,617,908