

nuveen

A TIAA Company



*Responsible
investing*

ABCs

of responsible
investing



OPINION PIECE: PLEASE SEE IMPORTANT DISCLOSURES IN THE ENDNOTES.

Responsible investing

/ri-'spän(t)-sə-bəl in-'vest-ing/ *noun*

An investment philosophy that incorporates environmental, social and governance factors (ESG), and/or additional impact metrics into investment analysis, portfolio construction and ongoing monitoring across asset classes with the objectives of enhancing long-term performance, managing risk and/or aligning with client values.

Our ABCs of Responsible Investing (RI) is intended to serve as a guide to demystify the frequently used terms in the RI world and encourage everyone to join the conversation. We also include case studies throughout the document that bring some of these key terms to life.



Amy O'Brien

Global Head of Responsible Investing

nuveen.com/en-us/insights/responsible-investing

*Nuveen's approach to responsible investing can be viewed through our pillars of **ESG integration, stewardship and impact**, which we believe are critical to unlocking investment potential and generating positive impact.*

A-D

Carbon footprint /'kär-bən 'füt-print/ noun

The sum of greenhouse gas (GHG) emissions – primarily carbon dioxide and other GHGs – generated by an individual, activity, company or country.

CASE STUDY

Edge Olympic, Smart Office Building in Amsterdam

A new generation of smart buildings

- Awarded as net zero carbon by the Dutch Green Building Council
- Saved significant amounts of embodied carbon by building on the structure of an existing post office
- Provided access to a smartphone app, which enables users to personalise their workplace; with the possibility to customise the lighting and temperature, continuously measuring noise levels and air quality to inform choices
- Integrated healthy working with ergonomic workspaces, comprised of sit-stand tables and adjustable chairs and screens
- Promoted clean transportation by installing charging posts for electric vehicles

Net Carbon Pathways, Nuveen Real Estate 2023

“Responsible property investment is about more than just reducing the carbon footprint. It’s about understanding and managing external risks that may jeopardize our investments. And it’s about identifying opportunities that we believe will protect and enhance value in the face of changing environments.”



Abigail Dean

Global head of strategic insights, real estate

nuveen.com/realestate

Affordable housing

Housing which is deemed affordable to those with a household income at or below the median as rated by the national government or a local government by a recognized housing affordability index.

Source: us.gov

Best in class

Selecting issuers that demonstrate better ESG characteristics within a particular sector, industry or peer group, and achieve a rating above a defined threshold.

Biodiversity

Biodiversity, or biological diversity, is the variety and variability of life on Earth. Biodiversity is a measure of variation at the genetic, species, and ecosystem level. In the context of responsible investing, biodiversity acknowledges that the variety of all living things on our planet has been declining at an alarming rate in recent years, mainly due to human activities, such as land use changes, pollution and climate change.

Board quality

Boards play a critical role in crisis management, oversight, and risk management — setting the tone at the top before incidents occur. From an investment standpoint, issues such as director independence, board composition, experience, perspectives and tenure are important because they protect shareholder value. Board composition, executive compensation, business ethics and accounting practices all reflect a board's judgment and priorities.

Carbon footprint

The sum of greenhouse gas (GHG) emissions - primarily carbon dioxide and other GHGs - generated by an individual, activity, company or country.

Circular economy

The circular economy is a model of production and consumption, which involves sharing, leasing, reusing, repairing, refurbishing and recycling existing materials and products as long as possible.

Climate change

A change in global or regional climate patterns, in particular a change apparent from the mid- to late-20th century onward — longterm-warming — attributed largely to the increased levels of atmospheric carbon dioxide produced by the use of fossil fuels.

Controversial business involvement

Refers to a security issuer's activity in an industry that can cause significant social harm. Industries include tobacco, alcohol and firearms, among others.

Corporate social responsibility (CSR)

A company's efforts to evaluate the effect of its operations, processes and philanthropy on the broader community and to set policies and practices that maximize the positive impact of its activities on the company's key stakeholders.

Divestment

The sale or disposition of securities or other assets based on characteristics that is not aligned with specific ESG objectives, values or convictions. See responsible investing — [other RI approaches](#).

Diversity, equity, and inclusion (DE&I)

Diversity: Acknowledges all the ways people differ: race, sex, gender, age, sexual orientation, disability, socioeconomic status, religious beliefs and more.

Equity: Recognizing that we do not all start from the same place and must acknowledge and make adjustments to imbalances.

Inclusion: The act of welcoming, supporting, respecting and valuing all individuals and groups.



E-F

“Natural capital assets play a major role in providing an expanding world population with food, fiber and shelter, which support long-term demand for agricultural and forest products.”



Cristina Hastings Newsome
Head of Sustainability, Nuveen Natural Capital

Engagement */in-'gāj-mənt/ noun*

A dialogue between an investor and an issuer focused on positively influencing corporate behavior on a variety of topics, including ESG issues.

CASE STUDY

Expanding knowledge of the benefits of regenerative agriculture

In Stołęż in northeast Poland, our team launched a trial project to design a Measurement, Reporting and Verification (MRV) system for soil health and soil organic carbon, with a focus on enhancing regenerative agricultural practices and overall asset performance. In 2022, two new tenants joined the project. Both demonstrated a strong commitment to implementing Soil Capital’s recommendations, including establishment of cover crops, executing crop rotation, and practicing strip tillage. Additionally, they plan to convert the farm to organic production while integrating livestock into the farming system. One of the tenants operates a suckler cow herd, which last autumn grazed clover that was later over-sown for a crop of winter wheat. Results from the Soil Capital trial at Stołęż will be shared through Nuveen Natural Capital’s quarterly Rural Thoughts newsletter.

Nuveen Natural Capital Sustainability Report, 2023

OPINION PIECE: PLEASE SEE IMPORTANT DISCLOSURES IN THE ENDNOTES.

Emissions avoided

Positive, intentional differences in emissions reported year over year as a means of accelerating decarbonization.

Engagement

A dialogue between an investor and an issuer focused on positively influencing corporate behavior on a variety of topics, including ESG issues.

Environmental, social and governance (ESG)

Typically refers to the factors and issues investors consider regarding a firm's sustainable business practices.



Environmental: A responsible investing factor dealing with climate impact, energy consumption, biodiversity, waste management and natural resource use.

Example: Waste management

Innovative packaging can reduce waste while also driving down material and transport costs.



Social: A responsible investing factor dealing with employee engagement and development, labor relations, human rights practice, product safety and consumer protection.

Example: Health and safety

Effective health and safety programs can mitigate unexpected costs caused by workplace injuries, e.g., medical expenses, workplace disruption, productivity loss.



Governance: A responsible investing factor dealing with management structure, board accountability and independence, executive compensation, audits, and internal controls and shareholder rights.

Example: Board diversity

A wide range of competencies, knowledge and perspectives can lead to better decision-making and more effective corporate governance.

ESG integration

Considering financially material environmental, social and governance factors within in the investment decision-making process.

EU taxonomy

Classification system established to clarify which investments are environmentally sustainable, with the goal of allowing companies to share a common definition of economic activities that can be considered environmentally sustainable.

Source: europa.eu



G-I-N

“In India, we’re seeing businesses created to solve social and environmental problems that are maturing, gaining revenue traction, and achieving profitability, but they struggle to access equity capital. These same businesses are driving climate solutions, financial inclusion, and affordability, empowering the most vulnerable to participate in an inclusive transition to a low carbon economy. With decades of experience, we are uniquely positioned to contribute to their growth and impact.”



Rekha Unnithan
Managing Director, Global Head of Private Equity Impact, Nuveen

Impact /'im-pakt / noun

The positive or negative, intended or unintended outcomes for society and/or the environment from an investment.

CASE STUDY

An investment in fast and flexible loans offers opportunities for Indian entrepreneurs

With its rapidly expanding middle class, India has sustained the highest rate of economic growth of the largest global economies. Despite this growth, large swaths of people across the country lack access to high quality basic services such as financial services and reliable renewable energy, introducing an enormous opportunity for commercial businesses to meet their needs.

The Nuveen Private Equity Impact Investing team saw an opportunity to invest in a profitable Indian solar irrigation and cold storage manufacturer and marketer, operating at the intersection of inclusion and climate change mitigation and resilience. The company is a leader in providing smallholder farmers with reliable off-grid irrigation as well as increasing farmer incomes. Nuveen’s PE Impact team will work with the company to drive product affordability and access for low-income consumers.

Nuveen Private Equity Impact, 2023

OPINION PIECE: PLEASE SEE IMPORTANT DISCLOSURES IN THE ENDNOTES.

Global Real Estate Sustainability Initiative (GRESI) and Benchmark (GRESB)

An investor-driven organization that assesses the sustainability performance of real-asset-sector portfolios and assets in public, private and direct sectors worldwide. The index offers environmental, social and governance data, scorecards, benchmark reports and portfolio analysis tools.

Green

Generally refers to the consideration of climate change and environmental impacts in portfolio construction, i.e., investments in clean tech, renewable energy and energy efficiency. See responsible investing – [other RI approaches](#).

Human capital management

A comprehensive set of practices for recruiting, managing, developing and optimizing an organization's human resources.

Human rights

Moral principles or norms that describe standards of human behavior and are protected as natural and legal rights in municipal and international law.

Impact

The positive or negative, intended or unintended outcomes for society and/or the environment from an investment.

Impact investing

Investing to achieve intentional positive social and/or environmental outcomes. This requires measuring and reporting on impact metrics, key performance indicators and demonstration of intentionality of investee and investor.

Just transition

The consideration of a range of social metrics as the world shifts to a low carbon economy.

Low carbon strategy

Seeking to lower a portfolio's overall carbon footprint by favoring companies with lower current carbon emissions, no fossil-fuel reserves, or other green investments. Low carbon strategies may satisfy clients seeking "fossil-fuel-free" and "green" investments. See responsible investing – [other RI approaches](#).

Low carbon economy

An economy based on low-carbon energy sources that has a minimal net output of greenhouse gas (GHG) emissions into the biosphere, but refers specifically to the greenhouse gas carbon dioxide. The Paris Agreement commits to the transition to a global low-carbon economy over the next 30 years, in order to avoid the negative economic, social, and environmental impacts of catastrophic climate change.

Materiality

Information that is reasonably likely to be important to investors in making investment decisions. Financially material in the context of ESG refers to relevance of a specific factor that could have a significant impact, positive or negative, on a company's financial value.

Natural capital

Natural capital refers the world's stock of natural resources.

Negative/norm based screening

Exclude sectors, companies, countries that do not meet minimum standards due to unacceptable downside risk or value misalignment. Also referred to as exclusionary screening.

Net zero carbon emissions

Cutting greenhouse gas emissions to as close to zero as possible, with any remaining emissions re-absorbed from the atmosphere, by oceans and forests for instance.

The term net zero is increasingly used to describe a broader and more comprehensive commitment to decarbonization and climate action.

O-R

Proxy voting /'præksi 'vəʊtɪŋ/ noun

A ballot cast by one person on behalf of a corporate shareholder who is unable to, or prefers not to attend a shareholder meeting.

Explanation of Nuveen's shareholder proposal voting

Our voting on shareholder proposals requires that a proposal meets the foundational criteria of materiality, investor relevance, appropriate for company responsiveness and is intended to improve company operations, products or services. If the foundational criteria are satisfied, then a case-by-case review looks at the extent to which the company has substantially implemented the proposal's explicit request or whether the company has reporting, strategy or explicit performance that substantially addresses the stakeholder issue that is the focus of the proposal.

In terms of substantial implementation, it is a point-in-time assessment of the company's strategy against the identified or projected risks and opportunities. The company's strategy may prove to be more or less successful than anticipated and the timing and severity of risks and opportunities may require a recalibration in the future.

More information on our voting record can be found in [Nuveen's Annual Stewardship Report](#).

“We use voting as a means to hold companies accountable for developing and executing a strategy that aligns to long-term value creation, but we do not assume that past performance — positive or negative — will always be indicative of future results.”



Peter Reali
Head of Stewardship,
Nuveen Responsible Investing

Paris Agreement

An accord within the United Nations Framework Convention on Climate Change addressing greenhouse-gas-emissions reduction, adaptation and finance, beginning in year 2020. At the December 2015 Paris conference, 195 countries adopted the first-ever universal, legally binding global climate deal. The agreement sets out a global action plan to put the world on track to avoid dangerous climate change by limiting global warming to below 2°C.

Proxy voting

A ballot cast by one person on behalf of a corporate shareholder who is unable to, or prefers not to attend a shareholder meeting.

Principles for Responsible Investment (PRI)

Principles for Responsible Investment (PRI or UNPRI) is a United Nations-supported international network of investors working together to implement its six aspirational principles, often referenced as “the Principles”. Its goal is to understand the implications of sustainability for investors and support signatories to facilitate incorporating these issues into their investment decision-making and ownership practices. In implementing these principles, signatories contribute to the development of a more sustainable global financial system.

Source: UNPRI

Principles for Responsible Investment in Farmland


A set of guidelines developed by a group of UN Principles for Responsible Investment (PRI) signatories. The principles have evolved into the PRI Farmland Guidelines, which are designed to guide institutional investors that wish to invest responsibly in farmland.


Source: UNPRI


Responsible investing

An investment philosophy that incorporates environmental, social and governance factors, and/or additional impact metrics into investment analysis, portfolio construction and ongoing monitoring across asset classes with the objectives of enhancing long-term performance, managing risk and/or aligning with client values.

RI principles at Nuveen include:

 **ESG integration:** we aim to consider financially material environmental, social and governance factors within in the investment decision-making process.

 **Stewardship:** we aim to advance responsible investing practices and seek to preserve and enhance long-term shareholder value.

 **Impact:** we seek to drive positive environment and social outcomes through our investing practices.

Other RI approaches include:

Best in class: Selecting issuers that demonstrate better ESG characteristics within a particular sector, industry or peer group, and achieve a rating above a defined threshold.

Divestment: The sale or disposition of securities or other assets based on corporate behavior that is not aligned with specific environmental, social and governance objectives, values or convictions.

Green: Generally refers to the consideration of climate change and environmental impacts in portfolio construction, i.e., investments in clean tech, renewable energy and energy efficiency.

Low carbon: Seeking to lower a portfolio’s overall carbon footprint by favoring companies with lower current carbon emissions, no fossil fuel reserves, or other green investments. Low-carbon strategies may satisfy clients seeking “fossil-fuel-free” and “green” investments.

Negative/norm based screening: Exclude sectors, companies, countries that do not meet minimum standards due to unacceptable downside risk or value misalignment. Also referred to as exclusionary screening.

Social and environmental impact: An approach that actively seeks to deliver a competitive return alongside a positive, measurable social or environmental outcome.

Thematic: Targets investment themes or assets that contribute to specific issues or outcomes, e.g., climate change, gender.

UN Sustainable Development Goal (SDG) alignment: Aligning investments to the Sustainable Development Goals – e.g., poverty, health, education, climate change and environmental degradation – to help connect business strategies, objectives and outcomes with global priorities.



S-Z

Use of Proceeds /'ju:z əv 'prō sēdz/ noun

Bonds where the proceeds are devoted to financing new and existing projects or activities with direct and intentional positive impacts.

CASE STUDY

The Rhino Bond and the first labeled Orange Bond.

In 2022, the World Bank issued its first-ever Wildlife Conservation Bond — dubbed the Rhino Bond given the endangered animal population the proceeds will support.

Nuveen was the lead investor in this bond, which was the first of its kind which directly links investors to the survival of an endangered species.

Nuveen also invested in the Women's Livelihood Bond, issued in December 2022. This bond was the first to be officially labelled as an orange bond, which represents the color of Gender Equity by the UN SDGs.

Nuveen Fixed Income, 2023

“We are proud to be the lead investor in innovative transactions that provide not only attractive total return potential, but also the direct and measurable outcomes we look for under our proprietary impact framework. We are especially hopeful that the partnership between public and private markets can serve as templates for future transactions to help address critical global challenges, and transition economies and communities to a more sustainable future.”



Stephen Liberatore
Head of ESG/Impact, Global Fixed Income

Stewardship

Advancing responsible investing practices with the aim of preserving and enhancing long-term shareholder value.

Engagement: A dialogue between an investor and an issuer focused on influencing corporate behavior on a variety of topics, including ESG issues.

Proxy voting: A ballot cast by one person on behalf of a corporate shareholder who is unable to or prefers not to attend a shareholder meeting.

Sustainable Development Goal (SDG) alignment

Aligning investments to the Sustainable Development Goals — e.g., poverty, health, education, climate change and environmental degradation — to help connect business strategies, objectives and outcomes with global priorities. See [responsible investing – other RI approaches](#).

Sustainable investing

An umbrella term often used interchangeably with responsible investing. See [responsible investing](#).

Sustainable Development Goals (SDGs)

A set of United Nations goals with a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity. Today, the 17 UN SDGs are an internationally accepted, outcome-oriented roadmap to sustainability for organizations in all sectors.

Task Force on Climate Related Financial Disclosures (TCFD)

Climate-related financial disclosure recommendations designed to help companies provide better information to support informed capital allocation. Disclosures are structured around four thematic areas that represent core elements of how companies operate: governance, strategy, risk management, and metrics and targets.

Source: TCFD

Taskforce on Nature-related Financial Disclosures (TNFD)

Disclosure recommendations and guidance for organizations to report and act on evolving nature-related dependencies, impacts, risks and opportunities. The recommendations and guidance will enable business and finance to integrate nature into decision making, and ultimately support a shift in global financial flows away from nature-negative outcomes and toward nature-positive outcomes.

Source: TNFD

Thematic

Targets investment themes or assets that contribute to specific issues or outcomes, e.g., climate change, gender. See [responsible investing – other RI approaches](#).

UN Global Compact

Strategic partnership to drive business awareness and action in support of achieving the UN Sustainable Development Goals.

Source: UN

Use of Proceeds

Bonds where the proceeds are devoted to financing new and existing projects or activities with direct and intentional positive impacts.

Blue bond: Bonds issued to finance marine and ocean-based projects that have positive environmental, economic and climate benefits.

Green Bond: Bonds issued to fund or refinance specific climate-related or environmental projects.

Orange Bond: Bonds issued to finance projects associated with gender equality or projects that have an intentional gender lens.

Sustainability Bond: Bonds issued to finance Green and/or Social projects.

For more information about responsible investing, visit us at nuveen.com/responsible-investing

Investing involves risk; principal loss is possible.

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Responsible investing incorporates Environmental Social Governance (ESG) factors that may affect exposure to issuers, sectors, industries, limiting the type and number of investment opportunities available, which could result in excluding investments that perform well. ESG integration is the consideration of financially material ESG factors within the investment decision making process. Financial materiality and applicability of ESG factors varies by asset class and investment strategy. ESG factors may be among many factors considered in evaluating an investment decision, and unless otherwise stated in the relevant offering memorandum or prospectus, do not alter the investment guidelines, strategy, or objectives. Select investment strategies do not integrate such ESG factors in the investment decision making process.

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