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Carbon Market Integrity Principles

Nuveen Natural Capital (NNC) believes that market-based approaches to combating climate change — carbon pricing, compliance markets, and high-integrity voluntary carbon markets — are critical to advancing the net zero transition and achieving the goals of the Paris Agreement to limit global warming to 1.5°C. While credit markets are in no way a substitute for the significant emission reductions needed across all sectors of the economy, NNC believes that they are a necessary and complementary solution to achieve climate targets at scale. This policy statement outlines NNC's principled approach to addressing market integrity, credit quality, and meaningful climate mitigation through carbon markets.

We believe in the importance of carbon credit markets as a support for voluntary and government driven climate action, complementing greenhouse gas (GHG) emissions reductions. Well-designed carbon markets can be a pathway to unlock financing for scaling natural climate solutions and the global restoration potential. Carbon markets and project activities also offer the possibility of generating social and environmental benefits beyond carbon alone.

Multi-stakeholder efforts are underway to improve the integrity, credibility and transparency of voluntary carbon markets and the underlying carbon projects. In recent years, significant progress has been made to define and standardize high-quality carbon credits and provide guidance for buyers of credits.[1] In alignment with these initiatives, to help ensure NNC carbon projects and the credits they generate serve as meaningful contributions to climate mitigation, here we outline our Carbon Market Integrity Principles to actively support, through the projects we develop, supply-side and demand-side market integrity.

Our principles guiding the development and execution of carbon projects generating credits

1. Carbon credits shall be:

- **Additional –** The GHG emission reductions or removals from the project are additional, i.e., they would not have occurred in the absence of the project;
- **Quantifiable –** Credits from the project are robustly quantified, based on realistic assumptions, achievable baseline and project management scenarios, completeness and best available scientific methods;
- **Address permanence –** Where there is a risk of reversal, there are measures in place to mitigate those risks and compensate reversals if they occur;
- **Address leakage –** There are measures in place to mitigate the risk of leakage of activities related to the project; and
- **No double counting –** Each credit is only be counted once towards achieving mitigation targets or goals and there is no double counting related to double issuance or claims.

2. Governance of carbon crediting programs (i.e., registries and their standards) shall have the following characteristics:

- Transparency and accountability to market participants and other stakeholders;
- Requirements for independent validation and verification of carbon projects (e.g., data, methods and calculations, baseline scenarios, measurement and monitoring systems);
- An accounting system for credits that uniquely identifies credits issued, tracks credits over time as they may be transferred and/or retired, and ensures no double counting; and
- An established process for continuous improvement of the standard and methodologies.
- Further, we consider the following crediting programs meet the above requirements: American Carbon Registry (ACR); Verified Carbon Standard (VCS); and California Air Resources Board (ARB) compliance program. Other crediting standards may be used subject to review and approval.

3. Social and environmental co-benefits

- An evaluation of the project's contribution to U.N. Sustainable Development Goals and NNC's Nature, Climate, People framework is completed as part of project development;
- All carbon projects are developed with ESG factors integrated throughout the process to ensure the project does not result in a net loss of broader social or environmental benefits; and
- Seek independent certification of net positive social and environmental co-benefits (e.g., Verra's Climate, Community & Biodiversity Standard[2]) where appropriate.

Our principles guiding the sale of credits

1. Carbon projects and credit sales contribute positively to the net zero transition

- Credits are used to complement buyer's emissions reductions efforts and net zero targets; and
- Voluntary market credit buyers follow best practice guidance for use of credits in advancing emission reduction targets.[3]

2. No sector shall be excluded from purchasing credits to support their voluntary climate commitments.[4]

3. All potential credit buyers will be evaluated for reputational risk to Nuveen, our investors, and our stakeholders.

- In cases where the buyer is an intermediary (e.g., a broker), we will evaluate their credit sales policy and alignment with our principles.
- All other standard Know Your Client (KYC) checks shall be completed prior to approval of credit sales.

For more information, please visit nuveen.com.

Endnotes

1 See for example, The Integrity Council for the Voluntary Carbon Market (ICVCM), https://icvcm.org/; the Voluntary Carbon Markets Integrity Initiative (VCMI), https://vcmintegrity.org/; and the proposed EU certification framework for carbon removals, https://climate.ec.europa.eu/eu-action/sustainable-carbon-cycles/carbon-removal-certification_en

2 Verra Climate Community and Biodiversity Standards, https://verra.org/programs/ccbs/

3 See for example, VCMI Claims Code of Practice, https://vcmintegrity.org/vcmi-claims-code-of-practice/and SBTi Criteria and Recommendations for Near-Term Targets, https://sciencebasedtargets.org/resources/files/SBTi-criteria.pdf

4 Provided alignment with other Carbon Market Integrity Principles guiding the sale of credits.

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