

**Operating Principles for Impact Management
Nuveen Disclosure Statement
April 14, 2020**

Nuveen is proud to be a founding signatory and Advisory Board member of the Operating Principles for Impact Management. The Principles are an important step forward in promoting transparency in the impact investing industry, which we believe will lead to more robust impact management practices over time. Even with these great strides and our history in the field, we recognize that the field is still evolving, and we expect both the Principles and practice to continue to grow in the coming years. This Disclosure Statement, our first, reflects our current alignment with the Principles and key areas where we aim to further deepen our practice in the future.

Nuveen is the investment management arm of Teachers Insurance and Annuity Association of America (TIAA), a leading provider of retirement and other financial services to teachers and non-profit employees in the United States. Nuveen has been making impact investments for 30 years. The firm currently manages several impact investing vehicles, including capital from the TIAA General Account, funds, and institutional separately managed accounts. This Disclosure Statement applies to the following funds and portfolios:

- Private markets impact investing portfolio (100% of portfolio)
- Impact investments within a core bond fund (38% of the Fund)
- Impact investments within a UCITS bond fund (33% of the Fund)
- Impact investments within a short-duration bond fund (43% of the fund)
- A green bond fund (99% of the Fund)
- Institutional separately managed accounts based on the above strategies (40-99% of each account)
- Impact investments within a mixed assets account (17% of the account)

The total Assets under Management in alignment with the Principles is **US\$ 5.371 billion as of September 30, 2019.**



Chairman, Nuveen

April 14, 2020

Principle 1: Define strategic impact objective(s), consistent with the investment strategy.

The Manager shall define strategic impact objectives¹ for the portfolio or fund to achieve positive and measurable social or environmental effects, which are aligned with the Sustainable Development Goals (SDGs), or other widely accepted goals. The impact intent does not need to be shared by the investee. The Manager shall seek to ensure that the impact objectives and investment strategy are consistent; that there is a credible basis for achieving the impact objectives through the investment strategy; and that the scale and/or intensity of the intended portfolio impact is proportionate to the size of the investment portfolio.

Each Nuveen impact fund, strategy, or portfolio defines a set of impact themes and follows established criteria or guidelines to ensure that investments selected align with those themes. The themes and guidelines are based on in-house expertise and available third-party research linking the activities financed to the overall impact goals. All themes were defined based on broadly recognized social and environmental challenges prior to the release of the Sustainable Development Goals, but have since been aligned using logic models that link investment outputs and outcomes to specific SDG targets.

Private markets impact investing themes:

- Affordable housing
- Inclusive growth
- Resource efficiency

Fixed income impact themes (Core Impact Bond, Short-duration Impact Bond and associated strategies):

- Affordable housing
- Community and economic development
- Renewable energy and climate change
- Natural resources

Green bond themes:

- Renewable energy and climate change
- Natural resources

¹ Impact objectives can be defined as the intended impact that contributes to financial, institutional, social, environmental, or other benefits to a society, community, or group of people via one or more investment. Adapted from OECD-DAC (www.oecd.org/dac/).

Principle 2: Manage strategic impact on a portfolio basis.

The Manager shall have a process to manage impact achievement on a portfolio basis. The objective of the process is to establish and monitor impact performance for the whole portfolio, while recognizing that impact may vary across individual investments in the portfolio. As part of the process, the Manager shall consider aligning staff incentive systems with the achievement of impact, as well as with financial performance.

Nuveen’s portfolio managers set portfolio-level impact objectives and, where possible, aggregate metrics to monitor impact beyond the individual deal level. All impact investments are then reviewed by subject matter experts on the Responsible Investing and Sustainability teams to ensure fit with the themes set out for the fund or portfolio. For private markets impact investments, the Sustainability team reviews each investment committee memo to ensure alignment with impact themes, and reconciles any misalignment with the portfolio management team. For fixed income impact investments, the review is completed regularly (at least annually) by the Responsible Investing team, and areas of misalignment are discussed and reconciled with the portfolio management team.

The achievement of impact and financial performance are inextricably linked in our investment strategies, so investment staff are incentivized to achieve both.

Principle 3: Establish the Manager’s contribution to the achievement of impact.

The Manager shall seek to establish and document a credible narrative on its contribution to the achievement of impact for each investment. Contributions can be made through one or more financial and/or non-financial channels.² The narrative should be stated in clear terms and supported, as much as possible, by evidence.

At a minimum, all of Nuveen’s impact investments must contribute to impact through the project, business, or other entity being financed (i.e., “enterprise-level contribution”). As an investor, Nuveen contributes to the achievement of impact through various mechanisms, which necessarily differ depending on the asset class of the investment. The investor contribution is documented in the fund- and sector-level theories of change, assessed during due diligence, and gauged throughout the holding period in qualitative and/or quantitative ways.

² For example, this may include: improving the cost of capital, active shareholder engagement, specific financial structuring, offering innovative financing instruments, assisting with further resource mobilization, creating long-term trusted partnerships, providing technical/market advice or capacity building to the investee, and/or helping the investee to meet higher operational standards.

For example, for private markets impact investments, Nuveen often contributes to impact through supplying capital in undersupplied markets (growth businesses in emerging markets and preservation of affordable housing in the US), and by engaging with investees to help them scale and grow their impact. Nuveen typically takes a seat on the board of private equity investees.

For fixed income, Nuveen is among the largest purchasers of bonds with explicit social and environmental objectives, signaling the importance of these projects and creating elevated demand for these securities. Nuveen also engages with issuers to encourage more consistent and high-quality reporting on the outputs and outcomes of the projects. Nuveen actively educates issuers and other investors on new structures, creating innovative deal types with replicable templates to enable financing impactful projects.

Areas of further alignment: Over time, we aim to gather more evidence on the market-level effects of our work to engage issuers around structuring and disclosure.

Principle 4: Assess the expected impact of each investment, based on a systematic approach.

For each investment the Manager shall assess, in advance and, where possible, quantify the concrete, positive impact³ potential deriving from the investment. The assessment should use a suitable results measurement framework that aims to answer these fundamental questions: (1) What is the intended impact? (2) Who experiences the intended impact? (3) How significant is the intended impact?⁴ The Manager shall also seek to assess the likelihood of achieving the investment's expected impact. In assessing the likelihood, the Manager shall identify the significant risk factors that could result in the impact varying from ex-ante expectations.

In assessing the impact potential, the Manager shall seek evidence to assess the relative size of the challenge addressed within the targeted geographical context. The Manager shall also consider opportunities to increase the impact of the investment. Where possible and relevant for the Manager's strategic intent, the Manager may also consider indirect and systemic impacts. Indicators shall, to the extent possible, be aligned with industry standards⁵ and follow best practice.⁶

³ Impact is considered the material effect/s on people and the environment resulting from the investment, as outlined in Principle 1. Impacts assessed under Principle 4 may also include positive ESG effects derived from the investment.

⁴ Adapted from the Impact Management Project (www.impactmanagementproject.com).

⁵ Industry indicator standards include HIPSO (<https://indicators.ifipartnership.org/about/>); IRIS (iris.thegiin.org); GIIRS (<http://b-analytics.net/qiirs-funds>); GRI (www.globalreporting.org/Pages/default.aspx); and SASB (www.sasb.org), among others.

⁶ International best practice indicators include SMART (Specific, Measurable, Attainable, Relevant, and Timely), and SPICED (Subjective, Participatory, Interpreted & communicable, Cross-checked, Empowering, and Diverse & disaggregated), among others.

Nuveen currently assesses the expected impact of each investment in qualitative terms against our themes and guidelines. We leverage the five dimensions of impact from the Impact Management Project and use metrics that are aligned with IRIS and other standards such as the Green Bond Principles wherever possible.

The private markets portfolio employs an impact measurement system that includes metrics to assess what the impact is, who experiences it, and how significant it is, as well as the contribution relative to the level of need in the given context.

For fixed income, expected impact is indicated in qualitative terms. Actual impact is captured using commonly reported quantitative metrics for each category.

Areas of further alignment: We are working to build out impact risk metrics for the private markets portfolio, and to capture expected impact along the five dimensions for fixed income. This task tends to be more difficult in fixed income because not all bond issuances state expected results in concrete terms. For some types of securities, such as asset-backed securities, information on expected impact is more readily available because they are based on projects that have already been completed. However, for others, issuers do not tend to project estimated impact in concrete terms.

Principle 5: Assess, address, monitor, and manage potential negative impacts of each investment.

For each investment the Manager shall seek, as part of a systematic and documented process, to identify and avoid, and if avoidance is not possible, mitigate and manage Environmental, Social and Governance (ESG)⁷ risks. Where appropriate, the Manager shall engage with the investee to seek its commitment to take action to address potential gaps in current investee systems, processes, and standards, using an approach aligned with good international industry practice.⁸ As part of portfolio management, the Manager shall monitor investees' ESG risk and performance, and where appropriate, engage with the investee to address gaps and unexpected events.

In Nuveen's experience, there is substantial overlap between negative impact and ESG risks. Therefore, we leverage our robust ESG risk identification and management tools built over several years and adapted to each sector and asset class as a starting point to identify potential negative impact. Where

⁷ The application of good ESG management will potentially have positive impacts that may or may not be the principal targeted impacts of the Manager. Positive impacts resulting from ESG matters shall be measured and managed alongside with, or directly embedded in, the impact management system referenced in Principles 4 and 6.

⁸ Examples of good international industry practice include: IFC's Performance Standards (www.ifc.org/performancestandards); IFC's Corporate Governance Methodology (www.ifc.org/cgmethodology), the United Nations Guiding Principles for Business and Human Rights (www.unglobalcompact.org/library/2); and the OECD Guidelines for Multinational Enterprises (<http://mneguidelines.oecd.org/themes/human-rights.htm>).

these tools do not apply or are not comprehensive of potential negative impact, we have identified possible harm stemming from certain categories of investment, and created guidelines for avoiding and mitigating harm.

Areas of further alignment: We are working to build out an engagement strategy applicable to fixed income, and to communicate the outcomes of our equities engagement with issuers to the fixed income teams. Also, as we continue to advance the integration of ESG information among credit research staff through Nuveen's Responsible Investing Data Platform, these data may influence views on impact securities over time.

Principle 6: Monitor the progress of each investment in achieving impact against expectations and respond appropriately.

The Manager shall use the results framework (referenced in Principle 4) to monitor progress toward the achievement of positive impacts in comparison to the expected impact for each investment. Progress shall be monitored using a predefined process for sharing performance data with the investee. To the best extent possible, this shall outline how often data will be collected; the method for data collection; data sources; responsibilities for data collection; and how, and to whom, data will be reported. When monitoring indicates that the investment is no longer expected to achieve its intended impacts, the Manager shall seek to pursue appropriate action.⁹ The Manager shall also seek to use the results framework to capture investment outcomes.¹⁰

Impact metrics are defined for all of our impact investments to capture the tangible outputs and outcomes on a yearly basis. When impact is significantly different from expectations, portfolio team members engage with the investee or issuer to determine the appropriate action to pursue.

For fixed income, aggregated impact is reported publicly on our website, and issuers in the portfolio have access to this report. We also share feedback with them when we have questions about their impact reporting, or when impact reported is significantly different from expectations.

Areas of further alignment: The private markets impact portfolio is developing capabilities to share impact performance with investees.

⁹ Actions could include active engagement with the investee; early divestment; adjusting indicators/expectations due to significant, unforeseen, and changing circumstances; or other appropriate measures to improve the portfolio's expected impact performance.

¹⁰ Outcomes are the short-term and medium-term effects of an investment's outputs, while the outputs are the products, capital goods, and services resulting from the investment. Adopted from OECD-DAC (www.oecd.org/dac/).

Principle 7: Conduct exits considering the effect on sustained impact.

When conducting an exit,¹¹ the Manager shall, in good faith and consistent with its fiduciary concerns, consider the effect which the timing, structure, and process of its exit will have on the sustainability of the impact.

The private markets impact portfolio seeks investments where impact and financial returns are collinear, so that responsible exits are baked in from the beginning. In the exit tracking document, which comes into play when the team begins to consider disposing of assets, a responsible exits section documents whether and how the team believes the exit to be responsible.

In fixed income, we generally apply a “buy and hold” strategy, reflecting our commitment to impact over a long time horizon. In fixed income, bonds either mature or are sold to another investor, and these “exits” do not directly affect the issuer.

Principle 8: Review, document, and improve decisions and processes based on the achievement of impact and lessons learned.

The Manager shall review and document the impact performance of each investment, compare the expected and actual impact, and other positive and negative impacts, and use these findings to improve operational and strategic investment decisions, as well as management processes.

Nuveen is committed to continuously reviewing and improving our impact management systems in joint efforts that involve the portfolio management teams and impact experts on the Responsible Investing and Sustainability teams.

On a regular basis, the Responsible Investing team documents the impact achieved by investments held in the fixed income portfolio the previous year. The results are also published for funds and shared with clients for separately managed accounts. Learnings from this process are discussed with portfolio managers to inform future decision-making.

In the private markets portfolio, the deal team and Sustainability team review impact performance of each investment and the portfolio as a whole during the Annual Portfolio Review, and compare expected and actual impact along with other findings derived from detailed analysis of impact performance over time. Where possible, investments are benchmarked internally to further understand impact performance in the context of the current and legacy portfolios. Any necessary changes to the

¹¹ This may include debt, equity, or bond sales, and excludes self-liquidating or maturing instruments.

investment strategy, impact measurement approach, or impact management processes are proposed, discussed, and further implemented following the Annual Review.

Principle 9: Publicly disclose alignment with the Principles and provide regular independent verification¹² of the alignment.

The Manager shall publicly disclose, on an annual basis, the alignment of its impact management systems with the Principles and, at regular intervals, arrange for independent verification of this alignment. The conclusions of this verification report shall also be publicly disclosed. These disclosures are subject to fiduciary and regulatory concerns.

This Disclosure Note re-affirms the alignment of Nuveen's investment processes with the Principles and will be updated annually.

Independent assurance of this report was obtained from Tideline Advisors LLC.

Tideline Advisors, LLC is a certified women-owned advisory firm in impact investing. Since its founding in 2014, Tideline has become a recognized leader in impact measurement and management, focused on the design and verification of IM systems with leading asset owners and managers. In 2020, Tideline established a subsidiary with a separate, dedicated team focused on impact management verification.

Tideline has offices in New York, NY and San Francisco, CA and is headquartered at 915 Battery St, San Francisco, CA 94111, USA

Date of most recent review: March 13, 2020

Date of next planned review: 2022

Public statement by independent verifier: Attached

¹² The independent verification may be conducted in different ways, i.e., as part of a financial audit, by an independent internal impact assessment committee, or through a portfolio/fund performance evaluation. The frequency and complexity of the verification process should consider its cost, relative to the size of the fund or institution concerned, and appropriate confidentiality.

VERIFIER STATEMENT

Independent Impact Management Verification

Prepared for Nuveen: March 13, 2020

nuveen

A TIAA Company

BACKGROUND

As a signatory of the Operating Principles for Impact Management (the Principles), Nuveen is committed to disclosing the degree of alignment of its impact management (IM) system with the Principles.¹ Nuveen engaged Tideline to undertake the assessment.

ASSESSMENT METHODOLOGY

Tideline reviewed Nuveen's set of IM tools and processes for the purpose of assessing its degree of alignment with the Principles.² To do so, Tideline used a proprietary rubric informed by:

1. The text of each Principle and associated implementation guidance;
2. Tideline's proprietary process assessment criteria, which are mapped to each Principle; and
3. Tideline's retained knowledge of the state of IM practices

SUMMARY ASSESSMENT

Tideline conducted an assessment to verify the Nuveen IM system's degree of alignment with the Principles. As of September 30, 2019, Nuveen's assets under management covered by the Principles totaled US\$ 5.341 billion. Key takeaways from the assessment are:

- **Areas of strength:**
 - For the public fixed income portion of the Covered Assets, Nuveen has set clear and consistent strategic impact objectives (Principle 1) and has established a robust process to manage impact achievement (Principle 2).
 - For the private markets portion of the Covered Assets, Nuveen has a clear process to attain its impact objectives (Principle 1) and has established well-aligned processes for both ESG risk management (Principle 5) and monitoring impact performance on an ongoing basis (Principle 6).
- **Areas for improvement:**
 - For the public fixed income portion of the Covered Assets, Tideline identified opportunities to further document investor contribution at the investee-level (Principle 3), enhance the assessment of expected impact (Principle 4), and systematize the monitoring of and engagement on ESG risks (Principle 5).
 - For the private markets portion of the Covered Assets, Tideline identified opportunities to further formalize an approach to "impact at exit" (Principle 7) and to enhance existing impact review processes (Principle 8).

¹ Principle 9 states that signatories shall "publicly disclose alignment with the Principles and provide regular independent verification of the alignment: The Manager shall publicly disclose, on an annual basis, the alignment of its impact management systems with the Principles and, at regular intervals, arrange for independent verification of this alignment. The conclusions of this verification report shall also be publicly disclosed. These disclosures are subject to fiduciary and regulatory concerns."

² Tideline's full assessment for Nuveen states each of the Principles, describes Nuveen's IM processes covered by the Principles, and identifies areas where further alignment is appropriate and feasible. The scope of Tideline's assessment procedures does not include the verification of the resulting impacts achieved. Tideline's assessment is based on its analyses of publicly available information and information in reports and other material provided by Nuveen. Tideline has relied on the accuracy and completeness of any such information provided by Nuveen. The assessment results represent Tideline's professional judgment based on the procedures performed and information obtained.

ABOUT TIDELINE

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