

nuveen

A TIAA Company



2020 – 2021

Annual Stewardship
Report

Taking action,
delivering
outcomes



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Purpose in action

Welcome to the Nuveen 2020-21 Stewardship Report. For more than 120 years, along with our parent company TIAA, we have helped millions of investors achieve long-term financial health.



Today, our focus is firmly on the future, and our teams integrate environmental, social and governance (ESG) factors into our investment processes across public and private asset classes to ensure that we are managing our clients' assets with their futures at the front of our minds.

A key aspect of this is not just in how we make our investment decisions, but how we actively manage our investment holdings. We have strong conviction that better management of financially material ESG issues can reduce investment risk and enhance performance. As such, these issues are central to our conversations with portfolio companies around the world, and our investors expect more than simplistic approaches. How a company conducts its business, manages its day-to-day operations, pursues growth and contends with risk intersects with a wide range of complex ESG realities that have implications for companies themselves, but also the broader global system. This report describes the many steps that Nuveen has taken over the last year to push companies further in their "ESG journeys" with the objective of achieving the best financial results for our clients.

Responsible stewardship of client assets translates our purpose into action and results. It involves promoting government and industry awareness and action regarding transparency and best practices; engaging in direct dialogue with company boards and leadership on shareholder and stakeholder concerns; pushing for change related to current and emerging issues, and voting in accordance with client best interests on proposals advanced by both shareholders and company management.

Source: Nuveen, 2021 Responsible Investing Survey

The last year continued to be one of great social and economic disruption and transformation. In the face of challenge and change, engagement with companies on ESG issues expanded, relevant shareholder activism grew and, perhaps most importantly, companies continued to take substantive steps toward greater accountability and progress in such critical areas as climate change; diversity, equity and inclusion, and employee and customer well-being.

As the asset manager for our parent company, TIAA, we have recognized our own accountability toward an ESG journey as well, with our commitment to achieving net zero carbon in the TIAA's insurance investment General Account by 2050, a goal that requires strategic engagement with companies on climate risk. Diversity, equity & inclusion is also an area where TIAA and Nuveen are prioritizing our own leadership and innovation. Our Inclusion, Diversity & Equity Council is a forum for our most senior executives and associates to collaborate toward supporting even more diversity in the industry and pay and performance equity solutions, while our Be the Change program, launched in 2020, furthers a culture of anti-racism and inclusion. The lessons we are learning on our own journey can help inform our views on best practices and recommendations to companies around these two vital themes.

This report explores our activities, detailing:

- The extent and nature of our interactions with companies regarding relevant ESG issues
- Our record on proxy voting and its connection to our engagement objectives

- The nuances of our stewardship across asset classes, including fixed income, private markets & real assets, and real estate
- Our perspective on critical issues including climate risk; diversity, equity & inclusion (DE&I); management of frontline workers, and racial equity
- Results generated by our stewardship, both company-specific and market-wide.

Raising the bar on stewardship

Client demand for sophisticated ESG reporting has driven our enhanced approach to pursuing and reporting proxy voting and engagement outcomes. In fact, our annual Responsible Investing (RI) survey of 1,000 respondents found that nearly 70% indicated that seeing the specific societal or environmental benefits of their investments is a critical motivator to participating in RI.* In service of this demand, we are striving to continuously raise the bar on what we report and how we report it — adding greater clarity and specificity to what we seek from companies, when we expect results, whether success was achieved and why we voted the way that we did.

In this context, standardized, comparable reporting is an essential starting point for any company on the ESG journey, while accountability measures such as policies, oversight structures or commitments demonstrate the real intention behind companies' ESG claims. Ultimately, we want to help companies move increasingly toward a point where there is measurable, positive change on metrics such as carbon emissions or percentage of women or minorities on boards or

in executive leadership. In our view, such changes are characteristic of companies that are achieving genuine "impact" from their ESG management.

Embracing a changing ESG landscape

Whether due to a global pandemic, supply chain disruptions and shortages or the extreme weather impacts of climate change, as crisis has continued to challenge all companies and their stakeholders, we have witnessed a greater awareness and appreciation for long-term thinking and sustainability. Within this ever-changing landscape, Nuveen has worked hard to engage on matters of importance to investors and society at large, such as climate risk, DE&I on corporate boards and among workforces, the interests and welfare of frontline workers, and racial equity issues related to customers and communities. We have tried to capture the full spectrum of our views and breadth of our activities in these pages.

We hope you take this year's report as a testament to our RI conviction. In the year ahead, Nuveen will continue to deepen the impact of our stewardship activities in service of our clients. In the meantime, we look forward to your consideration and input as you explore the details of our actions and outcomes.



Jose Minaya
Chief Executive Officer,
Nuveen



Amy O'Brien
Global Head of Responsible Investing,
Nuveen



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Our stewardship approach: Tracking the ESG journey

No “one size fits all”
solution >>

Seeking outcomes,
case by case >>

Serving our clients through
a differentiated process >>





Our approach to stewardship is designed to meaningfully advance both the understanding and the implementation of strong ESG management at portfolio companies and other investment issuers. On a market-wide basis, we engage with regulators and policymakers and participate in ESG industry and standard-setting organizations. We also define and execute cross-industry initiatives to set the agenda and promote change around urgent themes, such as climate change and diversity, equity and inclusion. On a company-by-company basis, we meet directly with management and directors regarding stakeholder issues and vote as appropriate on relevant stakeholder and shareholder proposals.

No “one size fits all” solution

When it comes to effecting change and progress at individual companies, we know that constructively managing ESG risks and opportunities across our portfolio holdings is not a “one size fits all” exercise. Rather, we work to understand and address the context and realities of individual portfolio companies — with the help of a unique framework and process for pinpointing where any company currently is in its ESG journey and where it needs to go next.

We view a company’s progression as having these key stages:

- **First, being transparent and fully disclosing financially material ESG information**
- **Then, demonstrating accountability by setting policies, strategies or commitments to effectively manage those ESG issues**
- **Finally, if possible, generating measurable, positive impacts through its ESG management or its products and services.**

Seeking outcomes, case by case

Not every company is at the same point in its journey, nor does every ESG issue affect every company in precisely the same way. Further, it is important to realize that the most relevant ESG issues vary company to company — for example, a company in the energy sector would be more susceptible to climate risk while a software company faces greater risk stemming from cybersecurity or data privacy.

But many companies have the chance at least to strengthen how they report and mitigate their own risks and in their own way further safeguard their sustainability and long-term value. Taking steps to disclose and mitigate ESG risks can align with companies’ bottom line, especially in the case of today’s most intractable issues such as climate change, because identifying and measuring the risk allows for action to be taken. Being accountable for lessening that risk or seizing opportunities naturally follows.

Based on each company’s particular circumstances, which include its industry, size, geography and resources, we actively engage with boards and management to outline our expectations and help guide success.





Amy O'Brien
*Global Head of Responsible
Investing, Nuveen*

“We need to be able to demonstrate the true efficacy of engagement and proxy voting to clients and other stakeholders. We have taken it upon ourselves to be much more detailed about what we are engaging on and the levers we are pulling to drive real change and determine success.”



Serving our clients through a differentiated process

Setting company expectations

We communicate to portfolio companies our expectations for their further progress. For example, we move beyond basic reporting to investment-relevant disclosure and more intentional management of risks and opportunities.

Setting a clear stewardship strategy

We set a clear timeline for results regarding what we want our portfolio companies to achieve and will escalate issues when there is lack of change.

Supporting our investment teams

We support our investment teams in engaging on the ESG issues most important to their investment decision making.

Supporting our clients

Perhaps most importantly, we undertake these stewardship activities to serve our clients' financial best interests and use our depth of expertise to drive meaningful, reportable ESG outcomes.

\$43.6B

OF AUM

**WITHIN PRODUCTS
WITH SPECIFIC RESPONSIBLE
INVESTING OBJECTIVES**

As of 30 June 2021





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How we engaged

Our engagement with company boards and management >>

Our targeted initiatives and engagement outcomes >>





Our engagement with company boards and management

We utilize complementary strategies to influence companies, issuers and the broader market to advance ESG best practices and set the agenda on priority issues. Through engagement, we seek a range of ESG outcomes that are part of a larger RI strategy to further the best interests of our clients and effectively integrate ESG into our investment decision making.

Tactical dialogue

We meet directly with company CEOs, senior management and boards of directors on timely and important shareholder and stakeholder issues. These can take the form of in-person meetings, calls or written communication.

Direct dialogue allows us to address ESG issues that are most financially material on a company-by-company basis.

Targeted initiatives

We identify ESG themes with cross-industry relevance, define our “ask” and expected outcomes, and establish issuer target lists based on holdings and proprietary financial materiality research.

Targeted engagement allows us to elevate the Nuveen RI view across the market and clearly define our expectations around high priority ESG issues to generate measurable, scaled outcomes.



Engagement by the numbers

In 2020-2021, we had 646 engagements across 422 companies.

The chart on the right reflects the range of issues that we explored with companies through various forms of dialogue over the last year.

646
TOTAL
ENGAGEMENTS

422
COMPANIES
ENGAGED

% of engagements that addressed RI category

Environmental

Climate Change	55%	275
Natural Resources	3%	19

Social

Diversity, Equity & Inclusion	49%	212
Communities	6%	37
Product Responsibility	5%	32
Talent Management	15%	90
Customers	11%	61
Employee Health and Safety	14%	85

Governance

Shareholder Rights	9%	58
Business Ethics, Transparency and Accountability	31%	175
Board Structure and Operation	7%	44
Executive Compensation	29%	154
Board Quality	14%	84

% will not add to 100 as more than one issue category may be discussed

Total number of companies across issues is greater than 422 as each company may be engaged on more than one issue

Source: Nuveen, 1 July 2020 – 30 June 2021



Driving outcomes through stewardship

Tracking ESG outcomes is an important aspect of our investment stewardship and delivering RI benefits to our clients. As such we have developed a formal framework to capture a range of possible results of our engagement and proxy voting activities.

Once we have identified our targeted initiatives, including major ESG themes such as climate change or diversity, equity and inclusion and universes of companies to target, we institute a three-year escalation strategy. This strategy includes ongoing engagement, but also incorporates support for shareholder proposals and voting against boards of directors to escalate important, financially material issues and drive desired outcomes.



Transparency

Consistent, material disclosure that can inform investment analysis

Foundation for establishing ESG oversight, developing ESG commitments and assessing the results of company actions



Accountability

Policies, business strategies, oversight structures and incentives aimed at appropriately managing financially material ESG issues

ESG-related commitments with clear, relevant key performance indicators (KPIs)



Impact

Operational: The measurable results of company policies and practices

Products and services: The measurable results of company products and services for the environment and/or affected individuals and communities



Reporting success

We undertake tactical dialogue and design our targeted initiatives to move companies along a progressive journey, meeting them where they are to drive meaningful change. Recognizing that transparency is the foundation for accountability and both are important aspects of achieving impact, we may have multiple requests of each company.

During engagement and through ongoing research into issuers, we seek to determine whether companies have instituted change relative to the expectations that we've outlined. Outcome examples:

- **Transparency:** a company provided new or improved reporting on climate risk
- **Accountability:** a company made a DE&I commitment or launched an initiative focused on its workforce demographics
- **Impact:** a company shows that it intentionally reduced its carbon emissions in alignment with a commitment

Over time, we would expect more outcomes to reach the level of accountability or impact as companies move beyond disclosure to intentionally building ESG into their business strategies.




Tactical engagement outcomes
by responsible investing policy issue¹

	 TRANSPARENCY	 ACCOUNTABILITY	 IMPACT
Environmental	2	2	0
Climate Change	2	2	0
Social	7	1	1
Diversity, Equity & Inclusion	3	0	1
Communities	1	0	0
Product Responsibility	1	0	0
Talent Management	2	1	0
Governance	11	10	1
Shareholder Rights	1	0	0
Business Ethics, Transparency and Accountability	0	2	0
Board Structure & Operation	1	1	0
Executive Compensation	7	6	1
Board Quality	2	1	0
Total	20	13	2

¹Any company may have more than one outcome associated with it across RI policy issues
Source: Nuveen, as of 30 September 2021



Targeted initiative outcomes

							
	Inception	Number of companies	Description	Transparency	Accountability	Impact	Success Rate
Racial Equity							
Global	2021	101	This initiative is focused on customers and communities. Using a sub-theme approach that spans E, S and G issues, we are asking companies across a range of industries to critically assess, report on and create accountability for the racial equity issues that most directly relate to their businesses.				Newly launched
Climate Risk							63%
Global	2020	77	We asked companies to produce reporting that aligns with the Task Force on Climate-related Financial Disclosures (TCFD), the industry recognized standard, and to strengthen board and management oversight and accountability for climate risk. In addition, we are encouraging them to adopt science-based reduction targets that align with the Paris Climate Agreement.	5	36		53%
Japan	2020	70		10	41		73%
Inclusive Talent Management							88%
U.S.	2020	75	Related specifically to employees, we asked companies to think critically about how they assess DE&I and to produce customized, actionable human capital reporting. We expect them to generate metrics tailored to their own operations, so that they can uncover gaps and opportunities for improvement, identify “root causes” of DE&I challenges, drive diverse talent pipelines and address pay equity issues.	35	31		
Women on Boards							72%
U.S.	2018	437	We asked small to mid-cap U.S. companies, in addition to Japanese companies, that did not have any women on their boards to add at least one female director.			347	81%
Japan	2019	396				203	62%

Source: Nuveen, as of 30 September 2021





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How we voted

Our approach to
proxy voting >>

Holding companies
accountable >>

Our voting
rationales >>

Shareholder proposal
voting >>



Our approach to proxy voting

All companies hold annual shareholder meetings that give investors the opportunity to provide input and oversight. Investors are asked to vote on a ballot of resolutions or proposals put forth by both company management and shareholders. For each ballot item, management may issue a voting recommendation as part of a proxy statement, typically seeking votes for any resolutions it has put forward.

We do not take a blanket approach to proxy voting. Rather, we evaluate both management and shareholder proposals on a case-by-case basis, according to what we believe is in the best interest of our clients. In making those decisions, we take into account many factors, including input from our investment teams and comprehensive proprietary and third-party research.

yay
nay

VOTING FOR A SHAREHOLDER PROPOSAL

Shareholder proposals give investors the opportunity to put forth a specific course of action or policy that they believe will benefit the company. Such proposals are often used to push companies toward improved management of ESG issues and to increase transparency and disclosure. Voting for a shareholder proposal signals that an investor believes existing management solutions or actions are inadequate and that the proposal is in the company's best interest.

VOTING AGAINST MANAGEMENT

Voting against company management is an important tool for shareholders to express their dissatisfaction with how a company is executing on its responsibilities to its shareholders and other key stakeholders. If a significant portion of shareholders vote against management, it is a signal that a company needs to take action or it may face growing negative investor sentiment.



Scope

TOTAL
PROPOSALS
VOTED

129,822

TOTAL
EXEC. COMP.
VOTES

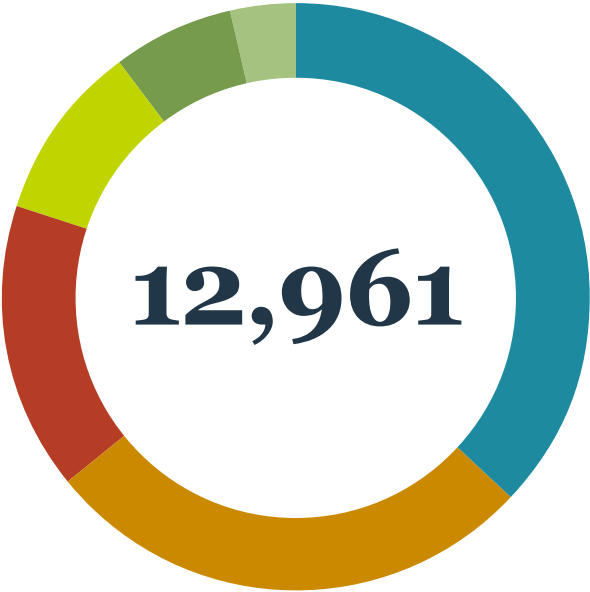
11,918

TOTAL
MEETINGS
VOTED

12,961

TOTAL
DIRECTOR
VOTES

52,681



TOTAL MEETINGS VOTED BY
KEY MARKET AND REGION

APAC (ex. Japan)	4,811
U.S.	3,537
EMEA (ex. U.K.)	2,025
Japan	1,289
Americas (ex. U.S.)	854
U.K.	445

Source: Nuveen, 1 July 2020 – 30 June 2021



Peter Reali
*Global Head of Engagement,
Responsible Investing*

“As a confluence of regulatory, investor and stakeholder pressures heightens the importance of RI, we continue to raise the bar on our own stewardship activities and expectations for portfolio companies. More formally connecting our engagement and voting activities strengthens our strategy for achieving tangible outcomes.”



Holding companies accountable

Specific considerations that shape our thinking in how we vote on resolutions or proposals involving boards of directors and executive compensation:

BOARDS

Investors rely primarily on a company’s board of directors to fulfill its fiduciary duty to protect their assets and ensure they receive an appropriate return on investment. Boards are responsible for setting the ethical tone and culture for the company, assuring the corporation’s financial integrity, developing compensation and succession planning policies, and ensuring management accountability.

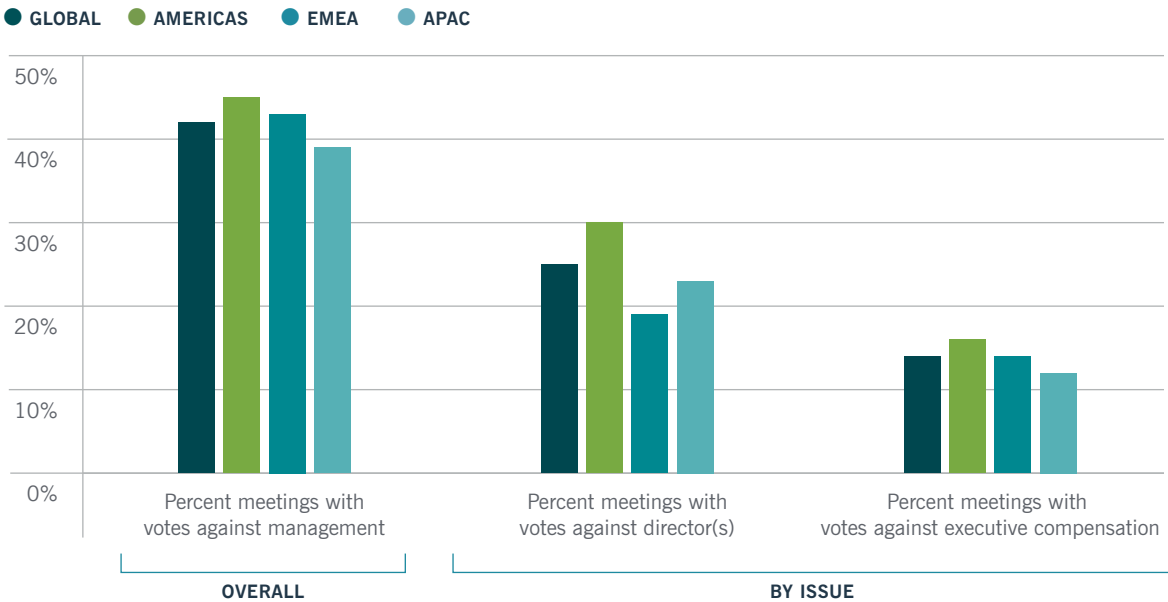
EXECUTIVE COMPENSATION

Companies should use executive compensation as a tool to drive and reward long-term, sustainable value creation while also attracting and retaining top talent. The details of compensation plans can be a window into a board’s perspectives on the company’s growth trajectory and the priorities it sets for management to achieve value.

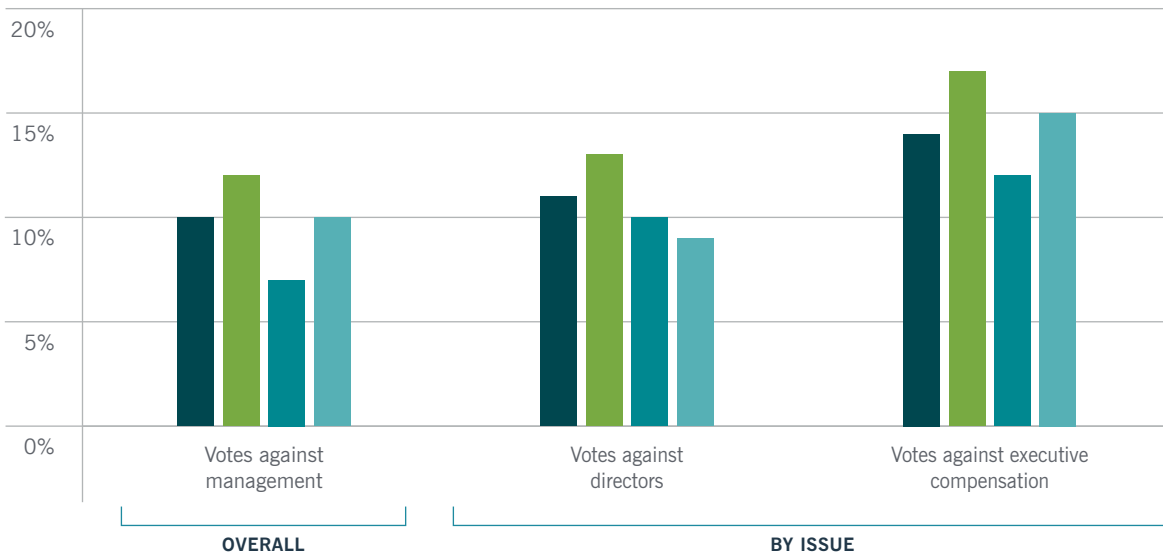
Because boards of directors are best positioned to consider all the relevant factors, we expect boards to establish executive compensation programs that appropriately incentivize strong executive management. Company disclosure regarding compensation should clearly articulate the rationale for incentives created by the compensation program and how it aligns with a long-term strategy to mitigate compensation-related risks.

HOLDING COMPANIES ACCOUNTABLE

% of meetings with at least one vote against management



Votes against management as % of total votes



Source: Nuveen, 1 July 2020 – 30 June 2021



Our voting rationales

Globally, the Nuveen policy for board quality, specific to diversity, includes an expectation that the board include at least one female director. In light of the success of the Women on Boards campaign in the U.S. and the growth of the female director talent pool, Nuveen increased its expectation for gender diversity in the U.S. to require two female directors.*

In addition to gender diversity for the U.S. market, Nuveen set an expectation that all boards of S&P 500 companies include at least one racially/ethni-

cally diverse director.* In early 2021, Nuveen sent letters to all S&P 500 boards outlining this expectation and flagged 50 companies as potentially lacking racial/ethnic diversity. For 20% of companies, there was already diversity on the board, but improved disclosure was needed to make this clear to investors. During the 2021 proxy season, the number of S&P 500 boards that disclosed racial/ethnic board composition in some fashion increased from 30% to 70%.²

For companies that did lack board racial/ethnic diversity, Nuveen voted against directors at approximately 25% of companies. Nuveen also voted against directors at an additional 30% of companies despite their action to add a racial/ethnic minority to the board based on an overall lack of diversity when considering race/ethnicity, gender, director leadership roles, and overall board tenure/refreshment.

Nuveen voted with management at the remaining companies based on factors such as clear com-

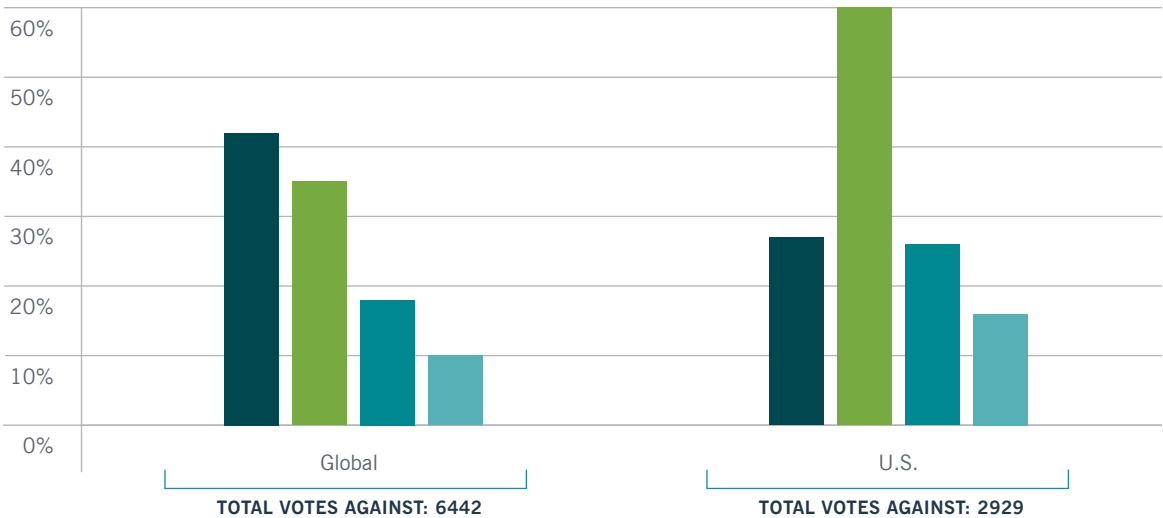
mitments to improvements in board diversity, disclosure of diversity characteristics such as LGBTQ+ status or international diversity that the board stated as critical to its diversity strategy, and significant business events such as M&A activity or proxy contests that limited the board's opportunity to execute a director refreshment strategy in the near-term.

*Subject to extenuating case-by-case circumstances

² Source: <https://corpgov.law.harvard.edu/2021/08/05/2021-proxy-season-review/#4>

RATIONALES FOR VOTING AGAINST DIRECTORS³

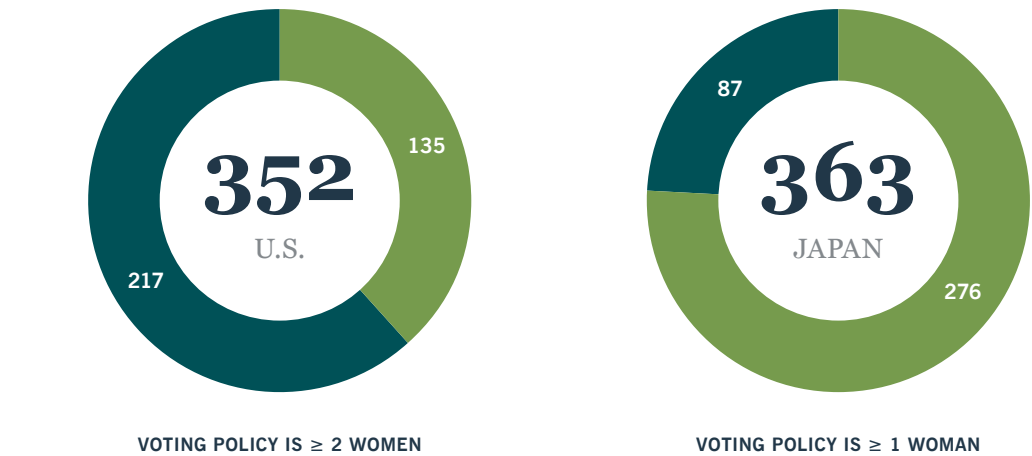
- BOARD QUALITY
- BOARD DIVERSITY
- BOARD STRUCTURE AND OPERATION
- BUSINESS ETHICS, TRANSPARENCY, AND ACCOUNTABILITY



³ % may not add to 100 as a vote against a particular director may be based on multiple factors
Source: Nuveen, 1 July 2020 – 30 June 2021.

VOTING RELATED TO OUR WOMEN ON BOARDS INITIATIVE*

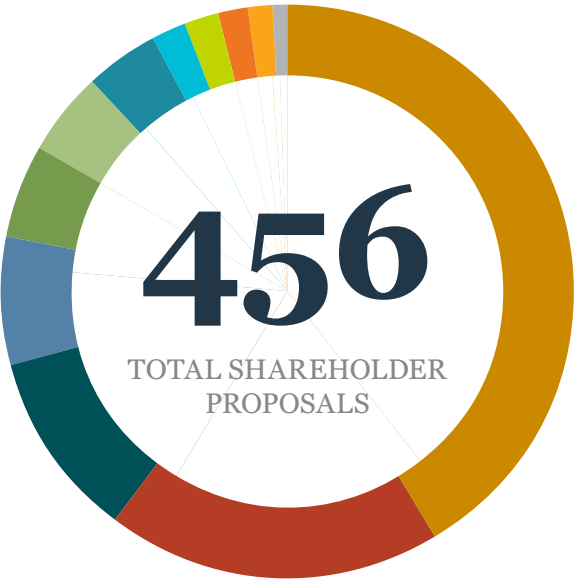
- COMPANIES WHERE WE VOTED AGAINST DIRECTOR(S) BASED ON BOARD DIVERSITY
- COMPANIES WHERE WE DID NOT VOTE AGAINST DIRECTOR(S) BASED ON BOARD DIVERSITY



* For companies in our target universe voted in 2020-2021



Shareholder proposal voting (U.S. only)



	NUMBER OF PROPOSALS	PERCENT SUPPORT	
Environmental			
Climate Change	23	78%	<div><div></div></div>
Natural Resources	6	100%	<div><div></div></div>
Social			
Diversity, Equity and Inclusion	33	82%	<div><div></div></div>
Communities	9	56%	<div><div></div></div>
Product Responsibility	9	22%	<div><div></div></div>
Customers	8	50%	<div><div></div></div>
Talent Management	3	33%	<div><div></div></div>
Governance			
Shareholder Rights	189	32%	<div><div></div></div>
Business Ethics, Transparency and Accountability	86	35%	<div><div></div></div>
Board Structure and Operation	49	41%	<div><div></div></div>
Executive Compensation	22	14%	<div><div></div></div>
Board Quality	19	0%	<div><div></div></div>

Source: Nuveen, 1 July 2020 – 30 June 2021



5

Engagement across asset classes

While the majority of the 2021 Stewardship Report relates to public equities, we have been taking significant steps to drive engagement with our holdings and the broader market across multiple asset classes. This section highlights some of these endeavors.

Fixed income >>

Private markets and
real assets >>

Real estate >>



Fixed income

SYSTEMATIZING FIXED INCOME ENGAGEMENT

Over the last year we have worked to structure and begin formalizing our engagement processes across fixed income. By offering more in-depth training for our corporate credit fixed income teams and systematizing engagement tracking, we seek to drive greater scale and better tracking for our benefit as well as that of our clients. For fixed income, there are fundamental differences in how we engage as a debt investor when compared with how we engage as an equity investor. Communication can be direct with the issuer or through the underwriter or may involve engagement with industry organizations on ESG best practices and reporting standards.

We have found that bond issuance roadshows often offer the best opportunity for our teams to dig in with company management on ESG issues. In fact, we have seen an increase in issuers proactively including ESG topics in their investor presentations given the increased interest in ESG from fixed income investors. However, while we are seeing this increasingly with larger investment grade public issuers, we see some, but fewer, high yield or private issuers disclosing ESG-related content. Engaging in direct conversations on ESG factors through a fixed income lens can provide significant value to our underwriting process, as commonly used ESG data vendors are not fully suited for fixed income markets given their equity lens and lack of coverage. All of this means they are not further along in the ESG disclosure journey. We also see gaps in ESG disclosure from emerging market corporate issuers and the securitized segments (ABS, MBS, CMBS) of fixed income. For example, only 20% of the syndicated loan universe is covered by standard ESG ratings

vendors. Therefore, we developed a proprietary questionnaire to engage directly with issuers to solve data gaps.

Various aspects of corporate governance have long been important considerations across investment grade and high yield bonds. However, social and environmental factors increasingly warrant more attention. For high yield and leveraged loan issuers, which have higher credit risk, material ESG risks have always been an integral part of our underwriting. However, a foundational framework to allow for consistent assessment of these risks has been missing across the market. Our questionnaire, ratings and data sets from various third-party providers work to help level-set the information available from an issuer. Across public fixed income, a larger proportion of high yield and loan issuers are private companies, so their publicly available disclosures are fewer, shareholders are less involved, and they are often smaller companies.

NON-CORPORATE ENGAGEMENT

Our engagement is not limited to corporate issuers. In the fixed income asset class, there are also opportunities to engage with sovereign and municipal debt issuers, which requires an understanding of the unique ways that ESG issues intersect with complex country and local government functions and risk. For these asset classes, engagement with multilateral development organizations and working directly with governments on sustainable development issues have always been effective ways to push for ESG best practice and increase government level transparency and reporting. For example, we were a participant in the World Bank's consultation on a sovereign ESG reporting



framework and provided views on how to think about ESG factors from a developed and emerging markets perspective. There is a body of research that demonstrates a correlation between existing third-party ESG ratings and GDP. Therefore, to solve for this income bias, we have developed our own proprietary ESG scoring approach for sovereign issuers that examines relative performance within income groups. Our view is that this approach is critical to properly understanding a country's ESG performance as it relates to its current economic development level as well as momentum compared with relevant peers. Regarding municipal issuers, we have engaged with several industry organizations such as Government Finance Officers Association, California Debt and Investment Advisory Commission, and Carbon Disclosure Project (CDP) to communicate our views on ESG and climate disclosure best practices, and to help develop industry standards for the municipal market.

Over time, our objective is to continue to deepen engagement across these various avenues to increase disclosure so that we have the most credit relevant information and to increasingly align objectives and outcome tracking around transparency, accountability and impact.

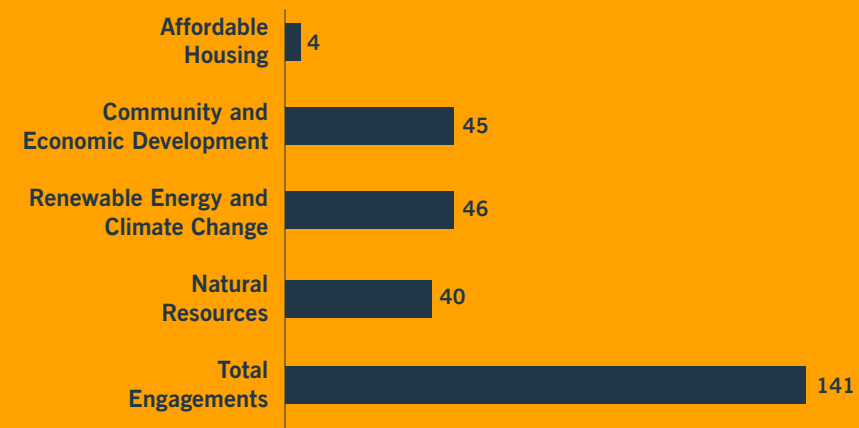
Engaging for impact in our dedicated fixed income strategies

Nuveen manages approximately \$17 billion in dedicated public fixed income ESG and impact investing strategies led by portfolio manager Stephen M. Liberatore, CFA. Within these strategies we assess portfolio investments through the lens of our proprietary impact investment framework. First developed in 2007, this framework outlines Nuveen's standards for public fixed income impact investments, namely, what is required for them to be "direct and measurable" and our four environmental and social impact themes, along with their alignment to the UN Sustainable Development Goals (SDGs).

However, with a rapidly evolving bond market and increasing investor interest in impact, it is often not enough to simply apply our framework. We actually need to influence best practice. One consideration is ensuring that

offerings are direct, i.e., the uses of a bond's proceeds are explicitly stated and measurable. This is achieved if, for example, the issuer is annually disclosing KPIs such as affordable housing units built, carbon emissions or waste reduced. Implementing this kind of practice can require initial engagement during the bond structuring process as market-wide standards are still lacking. As a recognized leader and innovator in public fixed income impact investing, we are often able to provide valuable guidance on the appropriate structure, characteristics and outputs that investors are looking for and push for quality impact reporting with a diverse range of issuers — including corporates, sovereigns, structured securities and international development institutions, among others. Over the reporting period the investment team held the engagements in the chart below.

ENGAGEMENT BY IMPACT THEME



Source: Data from 1 July 2020 – 30 June 2021. Engagements by theme do not add up to total engagements as some engagements were centered on multiple themes or impact investing more generally.

Further, the case studies on the following page illustrate how our engagement can shape the public markets impact investing landscape and generate reportable, positive environmental and social outcomes.



“Engagement is a critical tool in our efforts to ensure the transparency and disclosure we require to adhere to our proprietary public fixed income Impact Investment Framework.”



Steve Liberatore
Head of ESG/Impact,
Global Fixed Income

COMMUNITY AND ECONOMIC DEVELOPMENT

We are an investor in the third Women's Livelihood Bond (WLB3), which provides women in South-East Asia with access to credit, market linkages, and affordable goods and services. For WLB3, proceeds will be distributed to eight borrowers in four countries (India, Cambodia, Philippines, and Indonesia) that operate in four sectors (microfinance, Small Medium Enterprises (SME) lending, ethical apparel, and sustainable agriculture). It is anticipated the proceeds will be able to impact 180,000 women and girls.

While the first WLB was a small private placement, Nuveen has been actively engaged with the issuer for the subsequent two issues — especially regarding how the issuer interacts with the ultimate borrowers both in terms of credit and impact, and how those interactions will be reported out. Nuveen considers quarterly and annual update reports and calls essential to monitoring the unique structure — especially as it could form a model for offerings from other issuers in the future. Our participation has been noted by other issuers considering similar structures, including those seeking our opinion on best practices for future offerings.

NATURAL RESOURCES

Tire recycling is one of the U.S.'s most important and unheralded environmental success stories. However, North America still produces approximately 500 million used tires annually. Our investment in Liberty Tire Recycling (LTR) supports the diversion of more than 190 million tires from the waste stream. Landfills are still the second largest receiver of used tires in the United States, and we see LTR's work as vital to the circular economy.

Yet, engagement with the issuer was still key to determining whether the loan met Nuveen's requirements as an impact offering. While the issuer has a Green Loan Framework, loans do not typically contain language within the offering documents that would clearly tie the proceeds to an issuer's framework. This was especially true in this instance as the proceeds were related to an acquisition and less directly tied to company operations. However, Nuveen's engagement with management confirmed that the issue would align with the company's framework.

Nuveen also received a commitment from the company to provide annual updates on KPIs and impact such as number of tires collected, ultimate landfill disposal, and tonnage put to beneficial reuse. This engagement was critical to Nuveen's ultimate participation in the offering.






Private markets and real assets

There are natural differences in private and public markets investment stewardship. Whether we are a private equity investor or debt holder also determines the methods and avenues by which we monitor and engage with investees. Within private equity we exercise our influence as an owner/operator and/or use our board representation to improve ESG management even in those cases where we are a minority owner and do not have control.





Board governance provides us with direct, meaningful and impactful communication channels with company management, allowing us to drive the company in a direction that we believe will maximize value at exit. As a private debt holder, we maintain close communication with the equity sponsor of the investment on ESG issues as an important element of our engagement. In addition, we have taken on leading roles, with standard setters like UN PRI, in establishing ESG disclosures best practice for debt issuers and private equity sponsors.

The foundation for our engagement is our internal ESG ratings system, akin to the ESG ratings systems developed by MSCI and other ratings agencies. We construct ratings during the due diligence phase of the investment process using a proprietary methodology for collecting and assessing private company ESG risks and opportunities. Beyond informing our investment decision making and deal documentation, these ratings become a guide for prioritizing what we want to achieve over our holding period, helping to guide where we can best drive ESG improvement. The best results are achieved when Nuveen can bring a specific skill or technical capability to the company that it does not have, such as farmland sustainability or climate risk expertise. The following case studies demonstrate how we engage to enhance long-term performance.

REDUCING CARBON INTENSITY IN CATTLE FARMING

Cattle farming is a notoriously carbon intensive business, and sustainability minded consumers are changing their behaviors around beef consumption. Our team at AGR Partners engaged with the CEO of Polyface Farm, a large cattle feedlot company, and persuaded him to put the company on a path to becoming one of the most carbon efficient producers of beef in the U.S. In an industry where climate change and carbon asset risk are not yet widely considered, we identified the potential for investment risk and conducted deep carbon lifecycle analysis in order to identify a strategy that will significantly reduce carbon emissions stemming from the company's operations. This has allowed it to reposition itself as a more sustainable and carbon efficient player in cattle farming, creating an opportunity to reduce costs and win market share.

IMPROVING DIVERSITY, EQUITY & INCLUSION IN ENERGY AND INFRASTRUCTURE

In our energy and infrastructure portfolio we have been working with companies to ask questions and drive reform related to DE&I. Infrastructure companies have largely not prioritized diversity. However, we have been using our influence and board seats to both improve board and employee base composition relative to gender, racial and ethnic diversity, and engage on the topic of DE&I with company management. We recognize there are myriad benefits to diverse talent and leadership. By helping companies focus senior management and fellow board members on DE&I programs and metrics, we can help build those companies into industry leaders. We believe those benefits ripple through an organization and bring deep value to us as equity holders.

ENHANCING SUSTAINABILITY IN THE BATTERY VALUE CHAIN

As an investor in Advanced Battery Concepts (ABC), a developer and licensor of battery design technologies, we are helping the company manage ESG risks among its commercial partners. Energy storage is a vital part of the low-carbon energy transition, facilitating global electrification and movement away from carbon intensive energy sources. The manufacturing of batteries, though, must be managed carefully to mitigate labor and environmental risks. We are working with ABC to augment its evaluation of the ESG practices of its manufacturing partners, especially those in emerging markets where institutional attention to these factors may not be as developed. Through these steps, ABC will be able to deliver its high impact technology into fast-growing economies while also ensuring rigorous ESG practices among its partners.



WESTCHESTER

Raising the ESG bar in institutional farmland management

At Westchester, a Nuveen investment specialist and a leading global farmland asset manager, we believe that continuous improvement in ESG requires active listening and engagement with a broad range of stakeholders. A culmination of this intense listening is the Westchester ESG Framework. Our framework has received input from NGOs, consultants, internal investment managers in the regions, contractors operating our farms, and tenants leasing our farms.

Our ESG Framework gathers detailed operational data at a farm level, allowing us to better track operator and tenant practices. The intent is to better measure, monitor and improve key metrics including soil carbon, water usage and input application, among others. We will also be folding in broader natural capital assessments to the framework: how to ensure that the wildflower strips, the conserved forests, the peatlands and riparian zones and other non-tillable areas are measured, celebrated and encouraged given the ecosystem services that they provide.

While the ESG Framework Phase I is being rolled out, engagement will not end. We are working with technical experts in natural capital accounting, as well as with NGOs with expertise in regenerative agriculture, to continuously improve our approach. We will continue to partner with tenants and operators on the ground across the diverse regions of the Westchester footprint. Collaboration with the wider international community is also key. This engagement allows us to remain at the forefront of creating a more resilient, efficient, and environmentally attuned agricultural system — one that provides sustenance to a growing global population as well as sound stewardship for future generations.

“Engaging with a breadth of stakeholders is critical to remaining at the forefront of creating a more resilient, efficient, and environmentally attuned agricultural system, one that can provide sustenance to a growing global population as well as sound stewardship for future generations.”



Cristina Hastings Newsome
Head of Sustainability,
Westchester



Dunaway Farm, Georgia
Acquired in June 2020. Crops include cotton,
corn, peanuts, soybeans.





Real estate

Similar to other asset classes such as private markets, real estate stewardship is largely predicated on the type of investment (equity or debt) and our ownership stake. With wholly owned properties, and some joint ventures, we have the opportunity to directly influence business plans and ensure that property management reflects Nuveen Real Estate's sustainability priorities — such as our objective to reach net zero carbon across our real estate portfolio by 2040.

70 St. Mary Axe, London

Acquired in 2010. A 21-story modern office building with development completed in 2019.



Building strong relationships through engagement with our property managers and tenants is vital to mitigating ESG-related risks and driving sustainability-related opportunities at each of our properties. This proposition often requires collective and intentional action. As most operational costs have historically been delegated to tenants, misalignment of goals around sustainability within a building and the financial benefit can create barriers to meaningful and measurable improvement on ESG KPIs. We have found it is important for us, as building owners, to set ESG priorities and give tenants the tools and resources to prioritize sustainability. For example, as part of our efforts to set ESG priorities, we have been providing resources for tenants to enact sustainable practices within their space, including the design and construction of their interior space fit out or sustainable operating practices throughout their occupancy. This has included “green cleaning” practices, energy management best practices, waste reduction and diversion, and the promotion of health and wellness strategies.

We are also increasingly focused on community engagement. This can be particularly important with properties that are essential members within their community, such as grocery-anchored shopping centers. We see it as more and more important when working on developments or when sponsoring a new build to engage with the community to make sure we are having a positive impact. Leasing strategies require an understanding of community issues so that the center not only fulfills a community need but also helps tenants attract a strong customer base. Some retail centers also offer opportunities to host events connecting retailers with shoppers and establishing the center as a vital focus of community activity.

DEBT VERSUS EQUITY HOLDINGS

In situations where we might not have a control position or are a debt holder rather than an equity holder, we have different channels and approaches to stewardship. With a joint venture (JV) where Nuveen is not the operating partner, we will engage with our partner(s) during due diligence on ESG objectives, develop a sustainability strategy and lay out an expectation for annual reporting during the hold period. The sustainability strategy will be revisited during the course of the investment to ensure that it reflects changing market, regulatory, and client expectations — for example, as part of annual business planning shareholder meetings.

“Real estate offers a unique opportunity to deliver positive sustainability outcomes – whether through reducing the carbon emissions of the built environment, enhancing the positive role that buildings can play in local communities or increasing the provision of renewable energy. Engagement with stakeholders is absolutely at the core; these outcomes cannot be achieved without the partnership of occupiers, property managers, developers, agents and borrowers and many more.”



Abigail Dean

*Global Head of Strategic Insights,
Nuveen Real Estate*

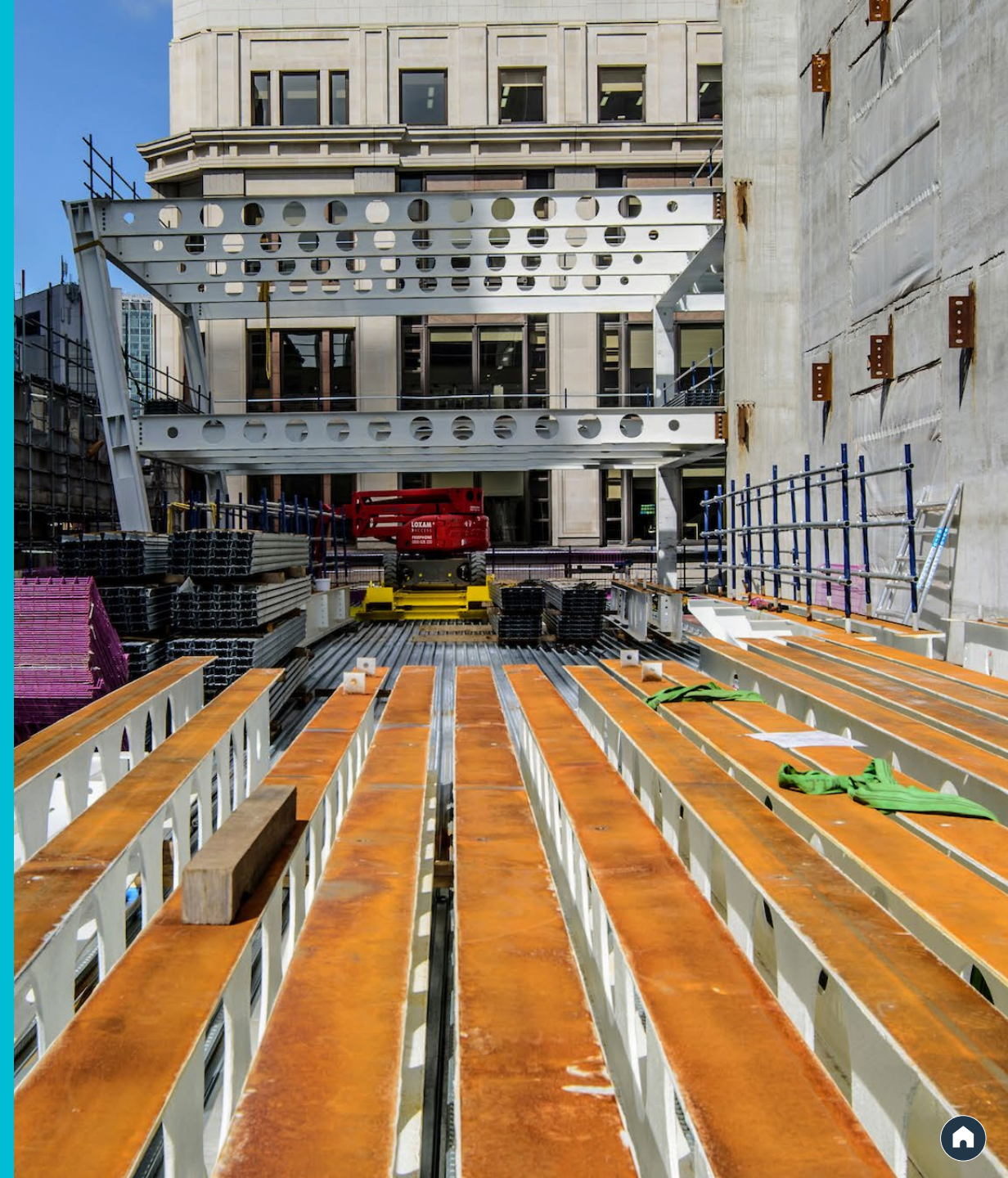


As a debt holder, we have started deploying an annual ESG survey to the equity sponsor to gather and assess ESG policy, goals and performance information. This approach also makes clear that ESG is a priority for us as the lender. We also have a Green Loan Framework across our international business to encourage borrowers to promote sustainability in their underlying real estate assets. The principle is to position structural loan incentives as a means to promote measurable improvements in the sustainability impact of the buildings we lend against or to recognize lending on assets that are outperforming standard benchmarks for these same factors.

REGULATORY ENGAGEMENT

One final area of investment stewardship that transcends investment structure or real estate asset class is our engagement with policymakers and regulators at various levels of government and with industry organizations that are setting market standards and benchmarks. We engage with local governments on topics such as occupancy, zoning and taxes. The city or county has the ultimate authority over a building; those local authorities are working closely with building owners, real estate industry associations, and the US Department of Energy, the EPA or other federal agencies to establish energy use and carbon emission standards for different building types within a city, county or state.

The balance is in finding a level of regulation that will not discourage investment or create barriers to leasing or development but will be sufficiently impactful to achieve the jurisdiction's carbon reduction commitments. We are increasingly engaged with local governments and federal authorities to better understand where, how and when those regulations will be salient over the entire lifecycle of an investment, to better position ourselves as a leader in sustainability and environmental efficiency. We view locations with well-consulted climate regulations for buildings as strong locations for investment, as they offer alignment with our investors, our firm and our tenants' goals to mitigate the impacts of climate change through reduction in carbon.





6

Focus topics

Climate risk takes
center stage >>

DE&I at an important
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The importance of
frontline employees >>

Racial equity: rectifying
long-standing inequality >>



Climate risk takes center stage

Despite early fears that a global pandemic would usurp climate risk as a world priority, 2020 and 2021 saw governments, businesses and financial institutions coalesce to a greater degree than ever before around the need to achieve net zero carbon:

- Of the world's 2,000 largest public companies, at least one-fifth (21%), representing annual sales of nearly \$14 trillion, now have net zero commitments
- Across countries, municipal, state and regional governments and major companies net zero targets now represent at least 68% of global GDP purchasing power parity (PPP) and 61% of global greenhouse gas (GHG) emissions

In 2021, Nuveen also deepened its incorporation of climate risk into its portfolio management, with Nuveen Real Estate committing to make our \$133 billion global property portfolio operationally net zero carbon by 2040. The \$280 billion TIAA General Account, managed by Nuveen, also committed to achieving net zero carbon emissions by 2050, in alignment with the Paris Agreement objective to limit global warming to 1.5°C. While these decisions are also intended to have positive environmental impacts, we believe they are ultimately in the best long-term financial interests of our clients. Both the physical risks of climate change, such as extreme weather events, heat waves, wildfires and acidic oceans, and the transition risks stemming from regulation, demand shifts and the emergence of cleaner energy sources and other products will have significant implications for companies' operations and value. One study estimates that the global "climate value at risk" in a scenario where the world reaches 2.5°C could be \$24 trillion or 16.9% of global financial assets in 2100. Meanwhile, limiting warming to 2°C would reduce this figure to \$13.2 trillion.

THE PATH TO NET ZERO

But the path to net zero is not easy; an entire ecosystem of solutions and transformations is needed across a wide range of industries to facilitate the energy transition. Whether the objective is in financing green solutions or

transition projects, moving the needle with oil and gas companies through engagement and proxy voting, or enhancing sustainability as an owner/operator of farmland or real estate, our priority is to mitigate negative climate impacts and financial risks while simultaneously investing in the opportunities arising as part of the energy transition. It has also become clear that the path to net zero is complex and will require investors to overcome unique challenges, including impacts on a broad range of stakeholders. For example, as oil and gas companies come under heightened pressure to rapidly reduce their carbon footprints, some have made the decision to divest from their highest polluting assets in order to meet targets.

Often those assets are being bought by smaller privately held companies or private equity firms offering little to no public transparency, with many acquirers exhibiting poor environmental track records and no climate plans. While public oil and gas companies no longer have responsibility for those emissions, for the world they still remain and could potentially increase. This points to how critical it is for investors to understand the nuances of companies' transition strategies.

Further, it has become imperative for investors, governments and other stakeholders to understand how climate change intersects with other social and governance issues — in order for the world to pursue a "just transition."

A "JUST TRANSITION"

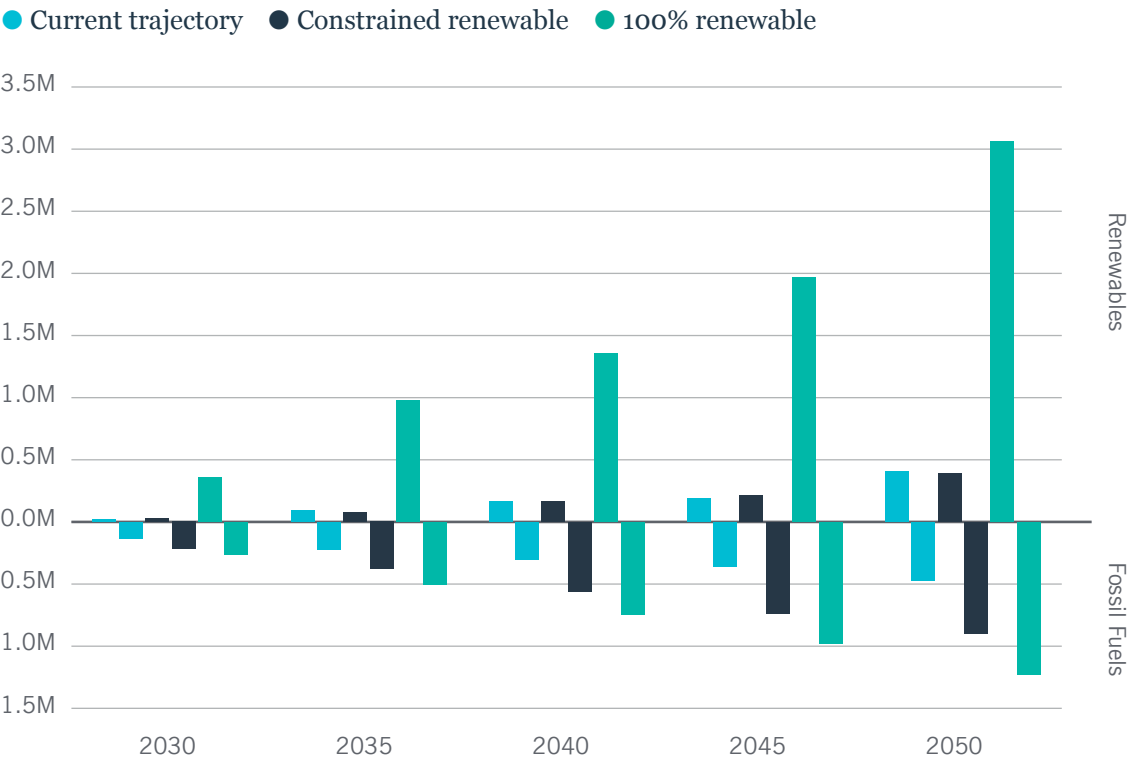
The swift structural changes required to address the most severe impacts of climate change require significant transformation and reskilling of labor and a racial equity lens, which we discuss later in this report. Fossil fuel jobs are the largest source of employment in a number of communities throughout the U.S. Many fear that replacing fossil fuels with renewable energy will take away the livelihoods of the nearly 1.7 million people working in fossil fuel industries and will economically devastate locales that are heavily reliant on fossil fuels. The good news is that many fossil fuel hubs are a natural environmental fit for renewables — meaning that there is opportunity to replace jobs. However, another concern highlighted by a recent report on the energy sector is that workers in energy and fossil fuel industries are earning higher wages than those in renewable energy sectors like wind and solar. This emphasizes a need for investors not only to view "green" industries in terms of their environmental positives but also to take a "net" view of environmental and social impacts — leaving room for analysis that considers the negative and positive implications of various business strategies and investment opportunities.

These complexities are a key reason that Nuveen takes a case-by-case approach to our voting and engagement with portfolio companies. The sector specific expertise of our investment teams and



Climate risk takes center stage, *continued*

Cumulative U.S. job changes in various energy transition scenarios



Source: <https://netzeroamerica.princeton.edu/?explorer=pathway&state=national&table=e-positive&limit=200>
"Fossil Fuels" includes jobs in oil, natural gas and coal and "Renewables" includes jobs in solar and wind.

RI engagement analysts facilitates a deeper understanding of the financially material issues at hand and allows us to develop expectations for portfolio companies based on thorough research and hands-on experience. This has been particularly important in meeting our objectives for transparency, accountability and impact related to our targeted initiative on climate risk. While we are seeing a greater number of companies commit to net zero carbon, further research is required in order to understand what that truly means for each company. According to recent research, only 20% of company targets meet a set of basic robustness criteria (i.e., interim targets, reporting mechanisms or a published plan). Additionally, corporate lobbying against policy and regulation geared towards the energy transition has been a red flag for credibility in climate-related commitments. Therefore, we are increasingly engaging with companies on their political activities and supporting shareholder proposals that seek greater transparency into spending and lobbying. Determining successful outcomes on climate has been far from a check-the-box exercise, instead requiring in-depth review of company disclosure, commitments, business strategies, investments and oversight structures.

Although we acknowledge that positive ESG outcomes do not happen overnight, 2021 has demonstrated the power of engagement and the proxy vote in driving momentum. Shareholders, including Nuveen, sent strong signals this year to the oil and gas majors on their strategies or lack thereof for managing climate risk. While it is still uncertain exactly how many companies will respond to voting outcomes, we are already seeing some encouraging signs. Majority votes against boards of directors and record support for climate-related shareholder proposals led Chevron to commit to better scenario analysis and operational net zero emissions by 2050, while new board members at ExxonMobil who came in with a climate-related mandate seem to already be impacting the company's strategic direction in terms of projects and company management.



Diversity, Equity & Inclusion (DE&I) at an important inflection point

Driving greater DE&I on boards, among executive leadership teams and within companies' broader workforces through engagement and proxy voting continues to be a core priority at Nuveen. The market momentum behind DE&I, which ratcheted upward significantly in 2020, has not abated.

THE EVOLVING HUMAN CAPITAL LANDSCAPE

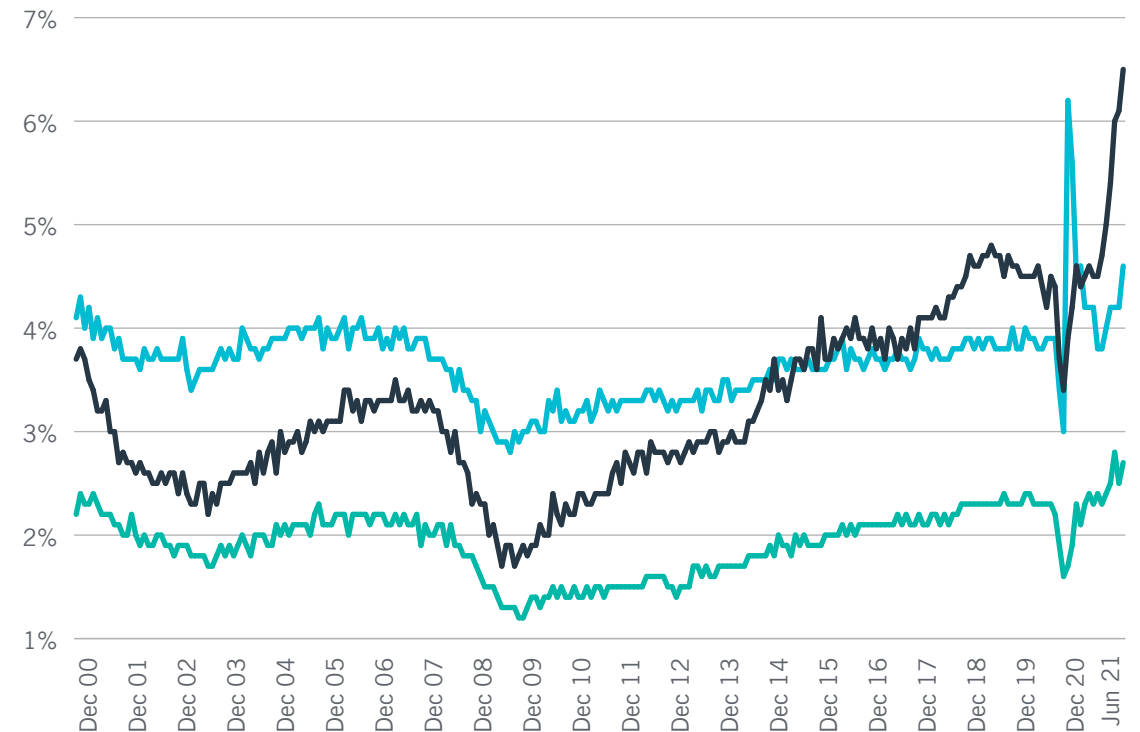
As regulatory and market pressure persists, we are also finding that companies increasingly embrace the connection between commitments and actions to increase DE&I and financial performance. In a rapidly evolving human capital landscape, innovation and good governance are far from the only financially material aspects of DE&I. Company strategies to promote inclusion and equity, going beyond diversity, have also been shown to enhance employee satisfaction and engagement while decreasing costs associated with turnover and poor productivity. Studies indicate that:

- From 2020-2030, talent shortages will cost U.S. companies up to \$435 billion
- The cost of turnover due to workplace culture has been \$223 billion over the past 5 years, with employee belonging being linked to a 50% drop in turnover risk

The financial impact of retaining and attracting talent has become even more vital for companies operating in a historically tight labor market, where job openings and voluntary quits are at record highs.

U.S. job openings and quits at record highs

● Job openings ● Hires ● Quits



Source: Bureau of Labor statistics, seasonally adjusted, total nonfarm



Diversity, Equity & Inclusion (DE&I) at an important inflection point, *continued*

Additionally, the potential legal, reputational and financial risks that can accompany discrimination claims come with considerable expense — the legal cost alone can be upwards of [\\$1 million](#) although success and size of claims is variable. The pandemic, along with renewed attention to racial equity, has also heightened scrutiny on how the treatment and pay of employees across a range of professions intersect with issues of systemic racial and gender economic inequality. During the pandemic women and people of color shouldered the largest burden of on-site work — since they represented the majority of employees deemed “essential” during shutdowns. They were also more likely to work in the [lowest paying occupations](#) and live below the [U.S. federal poverty line](#).

These racial and gender disparities are a global issue. In 2021, workers at one of the largest supermarket groups in the U.K. won a key legal victory as part of an ongoing equal pay claim arguing that the mainly female retail employees were paid less than the mainly male warehouse workers despite performing work of equal value. A number of other claims are now being pursued

at other U.K. retailers on similar grounds — the legal liability is estimated at about [\\$11 billion](#). The outcome raises questions about structural bias and whether a broader re-pricing may eventually occur for professions that have been historically gendered or racially skewed and exhibit notable pay discrepancies compared with roles dominated by white men.

DRIVING DIVERSITY

This year we witnessed a major milestone in the push for greater diversity on boards with the SEC approving NASDAQ’s proposal for listed companies to disclose board demographics and meet minimum targets for gender and racial diversity. Nuveen strongly supported this proposal in its comment to the SEC during the deliberation period. We believe the rule will add needed incentive for companies to diversify their boards and will benefit investors who have struggled to gain uniform data on board member diversity.

The current and future realities of work underpin the focus of our Inclusive Talent Management engagement initiative and our push for diversity

on boards. As a range of stakeholders challenge the status quo and companies compete for talent, we believe that the most successful companies will not only prioritize DE&I at the top, cultivating board diversity and oversight, but will also develop a deep understanding of demographics and their intersection with the company’s distinct talent pipelines and pay structures. While we have seen notable progress on transparency this year, with more companies publicly releasing EEO-1 data, there is room for improvement on both transparency and accountability.

NEXT STEPS

The next step for many companies should be thinking more critically about the reporting context and KPIs needed to determine the “root cause” of any bias or disparity and how that can inform human capital management strategies. EEO-1 gives a moment-in-time snapshot of workforce demographics. However, absent the lens of turnover/tenure, training and development, promotions and/or other company-specific context, it has limited value for determining the degree to which a company has integrated DE&I into its

business. Companies that assume equal hiring rates will eventually create equity ignore the intention and work necessary to develop a more inclusive workplace. They therefore are at risk to have the best diverse talent leave for a company with a more inclusive culture.

When it comes to pay gaps, attention should be paid to skills and value, not just traditional job descriptions or functions. Additionally, pay history should be viewed with a critical lens. Companies that do not understand these fundamental drivers of pay gaps are more likely to overpay to recruit talent, as there is typically an assumption that a candidate that is currently paid more is superior to the lower paid candidate. In order to fully contend with these complex issues, many companies still need to establish greater accountability for DE&I at the leadership level and through commitments, programs or policies. Absent accountability, companies are unlikely to implement effective solutions, making it more difficult for them to compete for top talent and realize the other financial benefits of a diverse, inclusive and engaged workforce.

The current and future realities of work underpin the focus of our **Inclusive Talent Management initiative** and our push for diversity on boards.



Managing workforces for the future: the importance of frontline employees

Last year we identified “essential workers” as a financially material issue for companies across a wide range of industries. As COVID-19 raised the profile of hourly employees who performed critical, on-site functions during the pandemic, we saw greater societal and corporate attention to their health & safety, pay, benefits and overall well-being.

At the height of pandemic closures, many companies rolled out accommodations once limited to management or salaried employees as a way to address COVID-19 risks and avoid turnover.

Although hourly employees have long been a key stakeholder group, there has been greater attention to key issues such as employee benefits, wages, health & safety, income inequality and opportunities for professional advancement.

Now, a broader cohort of frontline workers, including those being re-hired as economies re-open, remains in the spotlight as labor shortages, inflation, supply chain issues, political debate in the U.S. over minimum wage and unemployment benefits, and the continued threat of COVID variants overshadow the economic growth outlook. The significant uptick in demand for employees across a range of industries has given the workforce greater leverage in reversing a decades-long trend of wage stagnation in the U.S. among hourly workers.

Across a range of industries frontline labor management had broader implications for financial performance. In the U.S., an already shifting employment landscape has been further transformed by COVID-19. As the economy reopens, turnover and job openings are at record highs. In response, a number of companies have

moved to make COVID-19 accommodations more permanent or have turned to new pay and benefits-based incentives to attract needed workers. Many industries are facing challenges filling the roles necessary to reestablish operations, accept new contracts and meet high customer demand for a wide range of products and services. As of April 2021, manufacturing, an industry already impacted by labor shortages before COVID-19, had almost double the number of job openings per worker from pre-pandemic levels. Intense competition for workers among various sectors is a reality exacerbated by labor trends that will have lasting [impacts](#):

- Large number of retirees and almost 0% growth in the working-age population
- Working-age population of non-college graduates steadily shrinking
- Drop in labor participation among 16–24 year-olds
- Continued demand growth for blue collar and manual services workers, despite automation trend
- Gig-economy, e-commerce and automation shift needed skill sets, options and incentives

ADAPTING FOR THE LONG TERM

Companies need to increasingly adopt strategies that build long-term value. Over a 15-year period, as indicated by research from [McKinsey](#), companies making decisions for the long-term outperformed those making them for the short-term, exhibiting 36% higher earnings and 47% higher revenue. In that vein, cost-cutting or control measures may benefit a company in the short-term when it comes to a company’s frontline workforce, but those decisions too rarely consider a full range of factors that represent true long-term cost/benefit, including:

- A company’s ability to compete for employees
- Costs associated with turnover, which can be [10-30%](#) of an employee’s annual salary, recruitment, productivity and growth
- Costs associated with layoffs, with research showing that amid the pandemic reskilling was [20%](#) more cost effective than “hiring and firing”
- Efficiency/productivity at the employee level



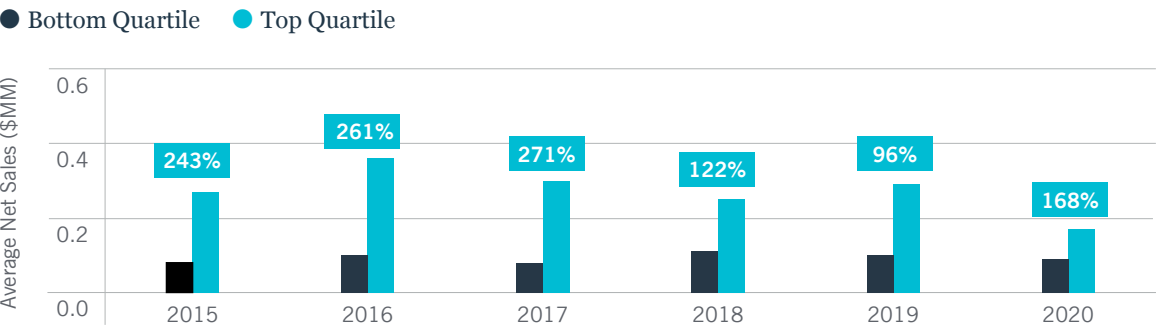
Managing workforces for the future: the importance of frontline employees, *continued*

TOWARD GREATER EFFICIENCY

A growing number of studies show evidence that higher wages lead to a range of better business results, including service quality, customer satisfaction, productivity, profitability and health & safety. We find that sales per employee, among several other business and financial metrics, can be an important measure of efficiency, particularly for industries heavily reliant on their employees to generate revenue.

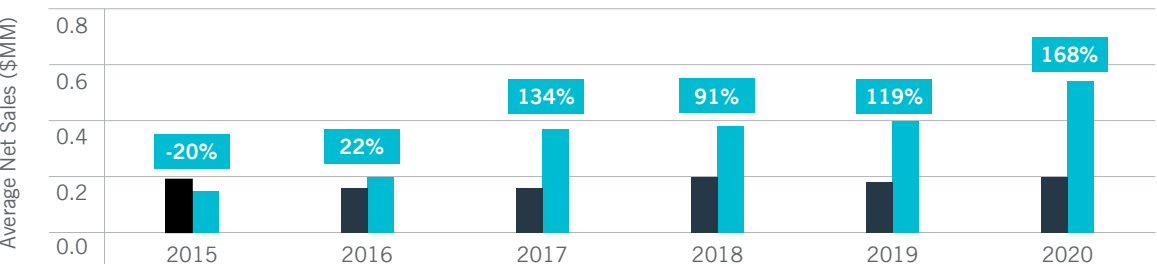
Our own analysis of companies in Hotels, Restaurants & Leisure (Figure 1) and Retail (Figure 2), found that almost every year from 2015 to 2020 companies with the highest MSCI labor scores, an indicator of how a company is managing its frontline workforce, showed significantly higher sales per employee than those companies with the lowest scores. Companies that fell in between the top and bottom exhibited more variability.

FIGURE 1: SALES PER EMPLOYEE BY MSCI LABOR SCORE* (HOTELS, RESTAURANTS & LEISURE)



Source: Nuveen and Factset. Reflects S&P 1500 companies in the Hotels, Restaurants & Leisure GICS Industry.

FIGURE 2: SALES PER EMPLOYEE BY MSCI LABOR SCORE* (RETAIL)



Source: Nuveen and FactSet. Reflects S&P 1500 companies in the Internet & Direct Marketing Retail, Multiline Retail, Specialty Retail, and Food & Staples Retailing GICS Industries.

MSCI Labor Score Methodology: Companies are evaluated on the complexity of their workforce (size, labor intensity, and regions of operation), employee relations, strength of worker protections, and employee engagement efforts.

Our research along with that of others indicates a link between the social factors related to labor management and performance over time. Our conviction around this financial materiality informed 38 Nuveen engagements on frontline workers and 89 that touched on Employee Health & Safety. To further investment-relevant analysis, we have been seeking greater visibility and detail around factors such as employment status across the workforce, e.g., part-time or full-time, minimum wage and benefits. We have encouraged companies to develop strategies for the long-term around workforce stability and culture, safety, training and development.

We believe that strong labor management includes an intentional focus on DE&I with attention to any pay equity issues and the upskilling of underrepresented talent. As the future of work across every sector and every geography continues to evolve, we have a strong belief that companies that view and manage their frontline workforces in the context of longer-term macro and industry trends and consider a full range of costs and benefits in decision making will be better positioned to mitigate downside risks and seek opportunities for topline growth amid economic uncertainty.



Racial equity: rectifying long-standing inequality

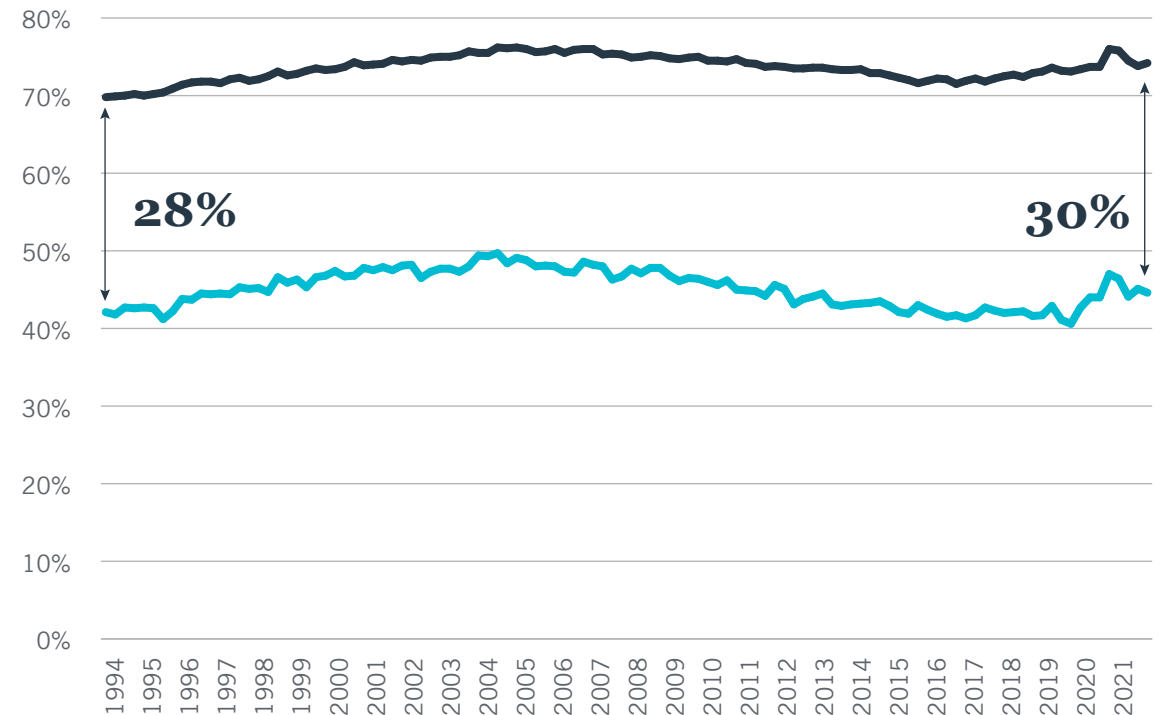
The issue of racial equity is inextricably tied to DE&I across workforces; however, it is necessary to address equity beyond the context of employment. In order for society to drive greater racial equity, customers and communities must be a central consideration.

Rectifying long-standing systemic inequality requires looking at the wide range of converging structural issues and historic norms that perpetuate inequality. From Nuveen's perspective, these issues relate to a full breadth of E, S, and G sub-themes, from environmental justice (E) to financial inclusion (S) to equitable business practices (G), among others. However, our market research and portfolio company analysis indicate that, in large part, reporting standards and best practice frameworks for contending with racial equity are nowhere near as developed as those for DE&I. Yet, as the pandemic serves to further exacerbate inequality, the risks and opportunities associated with racial equity at the societal and economic level, as well as the investor and corporate level, have grown. Several stark realities demonstrate the scale of the problem in the U.S.:

- According to EPA data from 2016 to 2019, drinking water systems that constantly violated the law were 40% more likely to be present in places with higher percentages of residents who were people of color.
- A number of studies show that people of color, particularly Blacks, are exposed to significantly higher air pollution and suffer greater risk of premature death from particle pollution than non-Hispanic Whites. They also tend to be more susceptible to a full range of other risks associated with climate change, including extreme weather.
- Clinical trial participation is heavily skewed toward Whites, an aspect of healthcare that is believed to perpetuate health disparities. Black males develop cancer 25% more frequently than White males and have a 43% higher mortality rate compared with White men for all cancers combined.
- Systemic, and for decades legalized, discriminatory housing practices referred to as “redlining” have perpetuated the racial wealth gap between White and Black Americans and have been a major barrier for Black families in building intergenerational wealth.
- One study found that from 2013 to 2017 unhealthy food advertising, a significant contributor to poor diets and diet-related diseases, was disproportionately targeted at Black and Hispanic youth. The disparity grew over time; by 2017, Black teens viewed 119% more of these types of ads than their White counterparts.

U.S. home ownership rate by race (%)

● Non-Hispanic White ● Black



Source: Bureau of Labor Statistics



Racial equity: rectifying long-standing inequality, *continued*

BUSINESS AND FINANCIAL IMPACTS

These issues are relevant to companies across a range of industries in different ways. For example, in healthcare and pharmaceuticals, a lack of racial representation in clinical trials [may bring their validity into doubt](#) and raise questions about whether the sample can or should be applied to routine medical practice. This can also lead to detrimental health outcomes and liabilities. For petrochemicals, materials and manufacturing companies, the disproportionate burden of pollution and environmental incidents borne by communities of color poses legal, reputational and financial risks. Although these risks have long been treated as “externalities,” evolving investor, stakeholder and regulatory expectations and activity around ESG mean that companies are increasingly being held accountable for their negative impacts on customers and communities. They will need to further consider how poor management of these issues may get “priced-in” as they are increasingly quantified and translated into financial terms. At the macro level, inequality also has very real costs, while rectifying it may generate significant economic benefits:

- A 2018 study showed that eliminating racial disparities in health could save the U.S. [\\$135 billion](#) per year in medical care costs and untapped productivity due to health issues. As COVID-19 has contributed to greater disparity, these costs may now be greater.
- [A study conducted by Citigroup](#) calculated that the racial wealth gap for Blacks had cost the U.S. \$16 trillion in GDP. Closing that gap today would add \$5 trillion over the next five years, adding about .35% to U.S. GDP growth per year.
- Expanding local access to goods and services and creating offerings that better meet the needs of Black households in the U.S. is estimated to be a [\\$300 billion annual opportunity](#).

Our Racial Equity initiative was built around the financial materiality of these issues to various industries, but also on the premise that requesting industry-specific transparency and accountability has the most potential to generate real impact. Although our targeted engagement initiative spans 17 industries and 13 ESG issues as defined by the Sustainability and Accounting Standards Board (SASB), there are common threads.

Recognizing that there is variance by geography, companies need to develop more nuanced analysis and reporting around how their operations, products and services affect communities and customers based on racial/ethnic categories that are appropriate to the local context — assessing that juxtaposition can reveal sources of disparity. Going further, we believe companies should establish policies, training programs, processes and/or oversight structures to address existing racial equity issues and future risks and opportunities. For companies with a physical footprint in communities of color, this should include plans to bolster community engagement and seek opportunities for collaboration. It is time for corporations to take ownership of their part in the systemic issue of racial inequity and address any negative impacts for which they hold responsibility.



Case studies

Developing long-standing relationships with companies and establishing regular communication are key toward initiating meaningful change. To that end, here are three case studies that demonstrate specifically how we have engaged with our portfolio companies on topics that affect long-term value and risk.



ENVIRONMENTAL



SOCIAL



GOVERNANCE





CASE STUDY

An environmental issue: ExxonMobil

Overview/financial materiality: The risks associated with climate change are particularly material for oil and gas companies. As renewables become cheaper, new green technologies emerge and governments globally enhance their commitments to net zero carbon, we believe the oil and gas sector will undergo significant disruption.

Counter to broader sector trends, Exxon has resisted shareholder calls for greater transparency and accountability in managing its climate risk. Additionally, Exxon has been hesitant to pivot its business strategy or push into emerging, adjacent energy fields as some of its competitors have. The investment analyst view is that this strategy, characterized by a failure to acknowledge and at times even obfuscate significant business risks, has been a primary contributor to long-term underperformance of shares and a deteriorating balance sheet. In 2020 the company had to borrow to maintain its dividend.

Engagement: We have had several engagements over recent years with Exxon to discuss our concerns. In 2020 the company became part of our targeted Climate Risk Initiative under which we asked them to 1) produce Task Force on Climate Related Financial Disclosures (TCFD) aligned climate reporting; 2) strengthen board and management oversight and accountability for climate risk, and 3) adopt a science-based reduction target that aligns with the Paris Agreement. Exxon has been largely unresponsive to calls for change and instead has

often doubled down on its capital allocation decisions and dismissal of opportunities outside of oil and gas, even as its peers have found success in energy transition projects.

Voting/Outcome (Accountability): In 2021, shareholder Engine No. 1 nominated four candidates to Exxon's board with clean technology and energy sector experience. The intent was to bring the board skills and expertise needed to address financial performance issues and future adaptation. Nuveen voted for all four candidates at the company's annual meeting, viewing them as deeply qualified and able to challenge management and promote forward-looking energy solutions that will ultimately benefit the company's shareholders. Three of the four candidates received majority shareholder support. Nuveen also voted for two other climate-related shareholder proposals, one calling for Exxon to issue an audited report on the financial impacts of International Energy Agency's (IEA) Net Zero 2050 Scenario and one calling for the company to disclose climate-related lobbying activities and any misalignment between lobbying and company strategy. The lobbying proposal passed, while the Net Zero Scenario proposal did not. However, the results of the proxy fight and strong shareholder support for climate proposals send a significant message about investor expectations. There is still uncertainty around the specific actions that Exxon will take regarding climate risk. However, we are already witnessing the influence of new board members on firm strategy and leadership.





CASE STUDY

A social issue: S&P Global

Overview/financial materiality: DE&I is material to companies such as S&P Global, given the products they provide and the competitive nature of recruiting and retaining talent, as well as the opportunities diverse perspectives can bring to evolve the company's service offerings. While company culture is an abstract concept, a robust DE&I strategy can have important implications for the development of an industry-competitive culture. This can be a draw for talent, but also can result in greater satisfaction, innovation and productivity among existing employees.

As a company that is promoting the value of ESG data in its own product offerings, S&P Global also faces the reputational risk associated with promoting investment decisions based on issues and metrics that the company does not track or disclose itself.

Engagement: S&P Global was part of the Inclusive Talent Management initiative we launched in 2020 in the context of greater market and stakeholder pressure for companies to improve transparency and commitments related to DE&I. We asked the company to produce human capital reporting that was distinct from its business and therefore more actionable in terms of uncovering underrepresentation, potential bias and pay equity issues across career levels and job functions. Ultimately, we believe more comprehensive disclosure should aid companies like S&P Global in developing diverse talent pipelines and successful DE&I strategies.

Outcome (Transparency, Accountability): In 2020, S&P Global made progress by providing ESG disclosure in line with the Sustainability and Accounting Standards Board (SASB) framework. With regard to DE&I, S&P Global added to its demographic metrics a breakout of diversity among managers. Nuveen viewed this as the right initial step. In 2021, S&P Global issued an even more comprehensive ESG report. In terms of the business-specific demographic materials, the company aligned disclosure with the concept of a "core" talent pipeline put forth by Nuveen and added a "revenue-generating functions" KPI to its leadership demographic disclosure. In addition, the company broke out employee demographics by "critical skills," which match with the revenue generating lines of business and fit the company's qualitative narrative regarding talent competition and talent development.

In terms of pay equity assessments, the company provided both an "equal-pay-for-work" KPI as well as an "unadjusted" KPI, which was broken out by base salary and bonus gaps. The company acknowledged that the root cause of the discrepancy between the adjusted and unadjusted KPIs was lack of female representation in senior roles. Overall, we feel that the company's latest disclosure demonstrates a comprehensive DE&I strategy and accountability in meeting its DE&I commitments.





CASE STUDY

A governance issue: Applied Materials

Overview/financial materiality: In order to create additional incentives for its executive team to push further into transformational opportunities, Applied Materials' Compensation Committee granted a special equity award in December 2020 with performance tied to total shareholder return (TSR) over the next five years. Special equity awards are controversial and one of the most common causes of failed say-on-pay votes because they are often considered contrary to the concept of pay-for-performance.

COVID-19 created both supply and demand shocks for the semiconductor industry including factory shut-downs, supply chain disruptions, and demand volatility as initial pullbacks in orders were replaced by unprecedented demand for chips. By the end of 2020, when Applied Materials announced the compensation award, the company had not only successfully navigated through the short-term challenges brought by the pandemic but also was competitively positioned to capture new market opportunities and long-term value. However, beyond the question of double pay for performance, the "new normal" brought on by the pandemic raised questions about how the award would specifically define and incentivize transformational growth in a way that considered significant macroeconomic tailwinds.

Engagement: Nuveen engaged with Applied Materials after disclosure of the award, before the 2021 proxy statement had been published. We described the justifications we are looking for when analyzing special equity awards. In particular we focused on how the award aligns pay to performance in a manner that is distinct from the annual compensation plan and how the metrics create accountability for execution of strategies that are beyond business as usual.

Voting/Outcome (Transparency): As a result of added transparency around compensation and the connection Applied Materials made between the performance metrics, targets and their business strategy, Nuveen decided to vote for say-on-pay at the 2021 annual meeting. The vote received 87% shareholder support, which generally aligns with the S&P 500 average for 2021. It is, however, notably higher than support received by most companies that grant special equity awards, which was partly responsible for more than half of all say-on-pay vote failures in 2021.



Looking forward

As COVID-19 continues to shape the global economy, transforming the nature of work and supply chains, the world is also grappling with the realities of climate change, executing on a pathway to net zero carbon emissions and addressing systemic racial and ethnic inequality. In this context, 2020-2021 has been a period of profound growth and evolution for responsible investing. Greater client demand and sophistication regarding ESG investing strategies have led to intense scrutiny of tangible outcomes. At the same time heightened regulatory attention to sustainability in finance, and impending ESG and climate disclosure mandates for issuers have raised the risks associated with “greenwashing” and “impact washing.” In our view, this market focus on transparency and credibility is serving to strengthen the fundamentals of responsible investing such as ESG integration in the investment process and investment stewardship.

Scaled, standardized and comparable ESG reporting from issuers allows us as investors to increasingly move beyond transparency to assessing and engaging with investees on accountability and

impact. With a foundation of clear, investment-useful ESG reporting we can better evaluate whether a company has adopted business strategies, incentives and oversight structures to manage financially material ESG issues and engage where we feel accountability is lacking. Further, the existence of robust measurement and reporting practices and explicit ESG objectives such as a net zero carbon commitment create impact potential via improvement on investment-useful KPIs.

We view the progression from transparency to accountability to impact among a greater number of market participants as a very positive trend and one for which shareholders can continue to drive meaningful momentum. Greater government, employee and community activism and engagement on corporate sustainability are also serving to heighten the precedence of ESG. Meanwhile, new technologies and innovative services and products are coming to the market with the potential to tackle problems from resource efficiency to carbon capture to sustainability in consumer behavior, and therefore disrupt the economic status quo. All these trends should be powerful motivators for companies to critically evaluate ESG risks and opportunities.



The challenges ahead




Yet, as the “rubber meets the road” on major issues like climate change, we must also acknowledge the challenges that lie ahead. For example, a lack of harmonized carbon accounting standards is a key barrier for implementing net zero carbon strategies for asset managers, asset owners and issuers. The ability to disclose greenhouse gas emissions at a fixed point in time, in line with standard financial accounting periods, is necessary for companies to credibly demonstrate reduction in emissions and for asset managers and owners to demonstrate how financed emissions either contribute to or inhibit the low-carbon transition.

We also believe there needs to be greater recognition across the market that divesting from fossil fuels does not automatically make the systemic risk of those emissions go away. In some cases it can lead to a lack of transparency and even less oversight of the highest emitting assets. In the face of continued global reliance on fossil fuels the question of how carbon-intensive industries could facilitate a transition to a low-carbon economy

through strategic change and green innovation is an important one - yet skepticism surrounding this prospect is warranted. We believe it will be increasingly important for investors to develop sophisticated assessments of climate leaders and laggards within industry peer groups, especially in energy, as they build portfolios for the future. As with all transformation and disruption, there will be winners and losers. Historically, those that fail to adapt to change invariably fall into the latter category.

There is also the complex challenge of environmental and social issues in the global supply chains that underpin the renewable energy transition. The demand for mined materials and cost-effective labor and components comes with a reliance on activities that can be environmentally unfriendly and perpetuate human rights abuses. These risks cannot be ignored if the world expects to meet the Paris Climate Agreement objective of limiting global warming and mitigating its most severe impacts.





This is also why it is so important for the private and public sectors to be working in the same direction. To that end, Nuveen continues to engage with regulators and policy makers on ESG more broadly and climate risk specifically. There is a significant role for governments to play in facilitating the energy transition, from investment in the necessary transformation of infrastructure to setting climate reporting standards, creating incentives and developing carbon pricing. The enormous scale of change necessary cannot be accomplished through voluntary corporate action alone. But the good news is that hard work is happening to a greater degree than ever before, and we believe that credibility is improving across the market.

The fact that the management and oversight of stakeholder issues is becoming a standard expectation for boards of directors is an encouraging indicator of how far we have come. Similar progress

is reflected in our own engagement outcomes, where we are witnessing better disclosure and meaningful steps to drive accountability for climate risk and DE&I.

A [recent survey](#) conducted by the U.S. Chamber of Commerce indicated that 59% of companies are disclosing more information regarding climate change than they did 10 years ago. Meanwhile, 63% of companies are engaging with shareholders on climate risk and 46% have increased the level of detail in climate change reporting due to shareholder input. Related to accountability, almost half of the successful outcomes of our Inclusive Talent Management initiative transcended transparency and reflected company efforts to develop specific strategies, goals and KPIs for improving DE&I across their workforces. In the realm of impact, we have seen 72% of the more than 800 companies we targeted as part of our Women on Boards initiative add one or more female directors.

The positive momentum





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Our resolute conviction

These results give us a reason to be optimistic about the direction in which the market is heading. Nuveen remains resolute in our conviction that responsible investing is in the best financial interests of our clients and has the power to deliver real-world, positive environmental and social outcomes.

This year we worked tirelessly to:

- continuously strengthen our proxy voting policy,
- develop a clear escalation strategy around priority, financially material issues,
- add greater specificity and intention to our engagement and voting through our transparency, accountability and impact framework,
- enhance our ability to drive outcomes, add clarity to our security specific ESG evaluations and improve our reporting to clients.

In the year ahead, we will be focused on further developing engagement-relevant analysis of ESG factors and performance, systematizing and scaling engagement across the entire investment platform and bringing proprietary engagement insights closer together with ESG integration in the investment process. We are also committed to working with the TIAA General Account to strategically utilize stewardship to meet its net zero by 2050 target. Overall, we will continue to prioritize our clients' needs and financial well-being as we pursue an approach to investment that can create an enduring impact on our world.



Disclosure

This report reflects proxy voting for the College Retirement Equities Fund (“CREF”), TIAA-CREF Funds, TIAA-CREF Life Funds and TIAA Separate Account VA-1 (collectively “TIAA-CREF Fund Complex”) and the General Account of Teachers Insurance and Annuity Association of America (“TIAA”), which comprise 84% of Nuveen, LLC equity assets under management as of December, 31 2020. Other Nuveen investment specialists, including Nuveen Asset Management, LLC, NWQ Investment Management, LLC, Santa Barbara Asset Management, LLC, and Winslow Capital Management, LLC, have their own voting processes and policies. Those votes represent the distinct views of these specialists and may or may not align with those of the TIAA-CREF Fund Complex and TIAA.

Throughout this report, successful engagement outcomes are reported where Nuveen believes that our discussions with a particular company helped to improve or change the company’s ESG management. While we undertake thorough company-by-company research to determine outcomes and seek to only represent those that followed Nuveen engagement, it is important to note that data gaps, inconsistency and the timing of company ESG disclosure can distort the outcome chronology in ways that we may not be aware of. Further, the company’s engagements with other investors, the broader market and/or regulatory pressure may also play a role in any company decisions regarding ESG. In fact, when there is greater market and regulatory coalescence around ESG issues, successful outcomes are more likely. As such, we always encourage company engagement with a wide range of stakeholders and also actively engage policy makers and regulators on ESG best practices.

Appendix

Connecting Engagement to Proxy Voting (All Companies)

Total proxy vote-related engagements (Shareholder & Management Proposals)	81
# For which Nuveen voted against management on the issue	34
# For which Nuveen considered the issue resolved and voted with management	47

In order to meet a higher standard of transparency for our clients, rather than providing rationales for select votes, we are disclosing all vote rationales for every shareholder proposal at S&P 500 companies. This amounts to a catalog of over 300 votes and the reasoning behind them.

All resolutions are assessed on a case-by-case basis to understand materiality for the specific company, existing disclosure and accountability measures. In addition to providing rationales for our voting, we indicate the ESG issue addressed and the alignment with principles laid out in our TIAA Policy Statement on Responsible Investing.

We have collated these results and placed them here for the public record. Visit [nuveen.com](https://www.nuveen.com) for our full list of proxy vote rationales.

Summary of S&P 500 Shareholder Proposal Vote Drivers

	For	Against
Alignment with RI Policy Best Practices (governance)	31	115
Advocacy for Improved Disclosure (regardless of current/peer disclosure)	24	4
Current Company Disclosure	16	22
Materiality of the Outcome to the Company/Industry	10	14
Materiality of the Thematic Issue and Intended Outcome	10	11
Company Specific Factor related to Strategy	9	18
Company or Industry Specific Factor related to Stakeholders	8	5
Company Specific Factor related to Proxy Vote and/or Engagement Outcome (including future commitments)	3	4
Company or Industry Specific Factor related to Controversy	2	2
Alignment with Standard Third-Party Reporting Framework	2	0
Appropriateness/Practicality of the Request to Addressing the Outcome	1	37
Timeliness and/or Mootness of the Intended Outcome	0	0
Grand Total	116	232

