

nuveen

A TIAA Company



*Responsible
investing*

ABCs

**of responsible
investing**



A-D

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

UK outlet shopping center soaks up the sun while pursuing stable income stream

The Nuveen Real Estate business recently installed solar panels on Dalton Park, an outlet shopping and leisure center in the northeast UK. Helping to future-proof the center against energy price rises and supply shortages, the property will generate over 200,000 kWh of electricity each year, saving 70 tons of CO₂ annually¹, reducing energy service costs, and pursuing a stable income stream for investors.

One hundred percent of the renewable energy generated is used on site. It boosts investment returns because the cost savings on reduced consumption of national-grid electricity is greater than revenue generated by exporting the same amount of electricity to the grid.

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



Abigail Dean
Head of global sustainability, real estate
[Nuveen.com/realestate](https://nuveen.com/realestate)

Best in class

Favoring companies with the best ESG performance, e.g., within a particular sector or industry group. See responsible investing – [other RI approaches](#).



Board quality

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

Carbon footprint

The sum of greenhouse gas (GHG) emissions – primarily carbon dioxide and other GHGs – for a given company or group of companies comprising a portfolio. For a public equities portfolio, these emissions then are typically pro-rated in proportion to the number of shares held by each company.



Climate change

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

Controversial business involvement

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

Corporate social responsibility (CSR)

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

Divestment

The sale or disposition of securities or other assets based on corporate behavior that is not aligned with specific environmental, social and governance objectives, values or convictions. See responsible investing – [other RI approaches](#).



E-F

Engagement /in-'gāj-mənt/ noun

Irrigating Napa vineyards with recycled wastewater conserves a community's most precious commodity

Engaging with our farm operators, Nuveen strives for optimal water efficiency using a range of innovations, technologies and cooperative efforts. In 2014, the vineyard management team for affiliate Westchester Group Investment Management worked with the Napa Sanitation District to recycle treated wastewater for irrigation.

Nuveen invested \$2M in capital and property easements to develop a two-foot wide pipeline irrigating our properties and those of 30 to 40 other landowners in Los Carneros Water District. Reusing wastewater cut irrigation costs by up to 65 percent,² improving the bottom line for local farmers, and is expected to reduce surface and groundwater consumption in the area by 75 percent.

“Water is essential for all crop growth. On the land we manage in our diversified cropping portfolio, for certain crops we grow, we require irrigation to supplement rainfall. Conserving water through innovation benefits our tenants, crop managers, the environment and investors.”



Martin Davies
CEO, Westchester Group Investment
Management

www.nuveen.com/napa-vineyards



Environmental

A responsible investing factor dealing with climate impact, energy consumption, biodiversity, waste management and natural resource use. See [environmental, social and governance \(ESG\)](#).

Engagement

A range of activities performed to exert influence on companies, issuers and other investees to help them innovate and operate more efficiently, i.e., proxy voting, company dialogue, targeted initiatives, market initiatives and policy influence. See [responsible investing](#).



Environmental, social and governance (ESG)

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



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

Example: Waste management

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



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

Example: Health and safety

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



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

Example: Board diversity

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

ESG-focused funds

Originally known as socially responsible investing (SRI) funds, portfolios that explicitly apply environmental, social and governance criteria in their investment decision-making process, often in the development of an investable universe.



ESG integration

Including ESG factors within the investment processes to enhance long-term performance and manage risks for clients. See [responsible investing](#).

ESG investing

Examining a company's exposure to ESG-related risks and opportunities, focusing on the ones most likely to have a material impact on investment performance.

Exclusionary screening

Avoiding companies involved in controversial businesses such as fossil fuels, oil, and tobacco, or other ESG-related criteria. See [responsible investing – other RI approaches](#).



G-N

“In India, small businesses and the unorganized informal sector account for a large part of the population. They employ more people, drive more innovation, and foster greater competition. You just can’t deliver these kinds of double bottom-line responsible outcomes from 8,000 miles away.”



Rekha Unnithan
Impact investing portfolio manager, Nuveen

Impact /'im-pakt / noun

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

With its rapidly expanding middle class, India is on track to become the third largest consumer market in the world. Despite this it can be challenging for entrepreneurs to get a business loan from an Indian bank.

The Nuveen Private Markets impact investing team saw an opportunity to support an underserved part of the Indian economy – medium-sized enterprises, whose access to venture capital is most constrained – while pursuing an attractive, stable return to institutional clients. The opportunity was through a private equity investment in a non-banking lender offering fast and flexible working-capital loans to Indian entrepreneurs.

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

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



Governance

A responsible investing factor dealing with management structure, board accountability and independence, executive compensation, audits and internal controls and shareholder rights. See [environmental, social and governance \(ESG\)](#).

Green

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

Green bond

A fixed income security developed to fund a project that has positive environmental and/or climate outcomes.



Human capital management

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



Human rights

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



Impact

Intentionally seeking positive environmental and social outcomes alongside financial returns through investing practices across asset classes. See [responsible investing](#).

Low carbon

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

Low-carbon economy

An economy based on low-carbon power sources that has a minimal output of greenhouse gas (GHG) emissions into the biosphere, but refers specifically to the greenhouse gas carbon dioxide. The Paris Agreement commits to the transition to a global low-carbon economy over the next 30 years, which many believe will bring substantial benefits both for developed and developing countries and avoid catastrophic climate change.

Materiality

Information that is of the greatest significance in the investment decision-making process. Increasingly, ESG issues are being viewed through a materiality lens.

Net-zero carbon

Achieved by balancing a measured amount of carbon released with an equivalent amount sequestered or offset. Typically the term is used in relation to buildings. A net-zero carbon building is highly energy efficient and fully powered from on-site and/or off-site renewable energy sources. The World Green Building Council states that all buildings will need to be net zero carbon by 2050³ to meet the Paris Agreement.

O-R

“We believe that responsible investing principles can help provide enduring benefits for our clients and our communities.”



Amy O'Brien
Head of responsible investing, Nuveen

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

Putting RI principles into practice provides enduring benefits

Our company has been a leader in responsible investing for half a century. We have differentiated our business, driven long-term investment returns and made a positive impact on the world by engaging with portfolio companies directly on environmental, social and governance practices, launched innovative products, and spearheaded efforts to expand ESG and sustainability across public and private markets, as well as real estate and real assets. Our approach to RI is driven through three key principles:

ESG integration – we aim to incorporate material ESG factors into our investment process systematically, across funds and asset classes.

Engagement – we connect using our influence with companies and issuers to help them innovate and operate more effectively, and partner with stakeholders to drive and advance ESG best practices.

Impact – through our investing practices, we seek to drive positive environmental and social outcomes.

Paris Agreement

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

Proxy voting

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

Principles for Responsible Investment in Farmland

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



Responsible investing

An investment philosophy that incorporates environmental, social and governance (ESG) factors into investment analysis, portfolio construction and ongoing monitoring across asset classes with the objective

of enhancing long-term performance, managing risk and aligning client values.

RI principles at Nuveen include:



ESG integration: Including ESG factors within the investment processes to enhance long-term performance and manage risks for clients.



Engagement: A range of activities performed to exert influence on companies, issuers and other investees to help them innovate and operate more efficiently, i.e., proxy voting, company dialogue, targeted initiatives, market initiatives and policy influence.



Impact: Intentionally seeking positive environmental and social outcomes alongside financial returns through investing practices across asset classes.

Other RI approaches include:

Best in class: Favoring companies with the best ESG performance, e.g., within a particular sector or industry group.

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

Exclusionary screening: Avoiding companies involved in controversial businesses such as fossil fuels, oil, and tobacco, or other ESG-related criteria.

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

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

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

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

Thematic: Aiming to design a company-selection process that emphasizes specific issues or outcomes, e.g., climate change, gender.

Value-/mission-driven investing: An umbrella term used by some investors, which applies values alignment as the primary driver of investment activity.



S-Z

Shareholder rights

/'sher-hōl-dər 'rīts/ noun

Nuveen promotes accountability and better compensation practices at portfolio company

Our portfolio managers have engaged with a popular, online entertainment streaming service for several years, meeting privately with the firm to improve its corporate governance and compensation practices. While the firm and its management have demonstrated strong performance over time, we believed that it could strengthen its governance and compensation practices in order to protect shareholders over the long run by promoting accountability for both board and senior management.

Our concerns were the absence of majority voting for directors, a staggered board, no proxy access, and the inability of shareholders to call a special meeting. Additionally, we had concerns whether the CEO's compensation package was aligned with shareholder interests. Meeting directly reflects our belief that informed dialogue with companies, rather than public confrontation, leads to mutually productive outcomes.

“Proxy voting is a key part of our engagement program and one of the primary tools we use to influence the behavior of portfolio companies. When organizations are unwilling to improve their ESG practices through dialogue, we aren’t afraid to hold them accountable by exercising our right to vote against management.”



Peter G. Reali

Senior director, responsible investing,
Nuveen

Sustainable Development Goal (SDG) alignment

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

Sustainable investing

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

Sustainable Development Goals (SDGs)

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

Thematic

Aiming to design a company-selection process that emphasizes specific issues or outcomes, e.g., climate change, gender. See [responsible investing – other RI approaches](#).

United Nations Principles for Responsible Investment (UNPRI)

An organization that works to understand the investment implications of environmental, social and governance factors and to support its international network of investor signatories in incorporating these factors into their investment and ownership decisions.

Value-/mission-driven investing

An umbrella term used by some investors, which applies values alignment as the primary driver of investment activity. See [responsible investing – other RI approaches](#).

For more information about responsible investing, visit us at [nuveen.com/responsible-investing](https://www.nuveen.com/responsible-investing).

- 1 Syzygy Consulting, 2018.
- 2 www.nuveen.com/how-we-invest-in-farmland
- 3 www.worldgbc.org/thecommitment

Investing involves risk; principal loss is possible.

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Because ESG criteria excludes some investments, an ESG strategy may not be able to take advantage of the same opportunities or market trends as funds that do not use such criteria.

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