

nuveen

A TIAA Company

Investing in resilience

2019 – 2020

Nuveen Private Markets
Impact Investing
Annual Report



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Marc deBree

*Managing Director, Real Estate
and Alternatives Asset Class Head,
TIAA General Account*

A message from Marc deBree

In the midst of an endless cycle of unsettling news about events around the world, we are pleased to share an encouraging set of achievements from our private markets impact investing portfolio.

As a client of Nuveen, I'm thrilled to introduce the 2019/2020 Private Markets Impact Investing Report and to celebrate the financial, social and environmental outcomes that this investment strategy has been generating for years.

This report demonstrates why TIAA is committed to impact investing and to continuing to grow our investments in this space. As an early leader in these strategies, TIAA is excited to engage with Nuveen to expand a platform that puts capital to work in ways that generate both solid returns and positive impacts for people and planet.

As a steward of our clients' capital, my fundamental goal is to build a solid investment portfolio that delivers strong risk-adjusted returns. This requires assessing risks holistically, weighing the positive and negative implications of our investments and how they could affect long-term investment value. By intentionally building expected impact results into our investment strategies, we can measure the full set of results and more readily pursue the stability, diversification, financial performance and positive real-world benefits that underpin long-term value growth.

The past year shone a bright light on the need for effective impact strategies. As we watched 2020 unfold, we were reminded that those with the least are often impacted the most by catastrophes; that racial injustice and inequality remain persistent problems for us; and that the greatest threats from climate change demand that we make changes now. For many of us, our extended time at home — and empty social calendars — afforded an opportunity to consider these

realities more deeply and to reflect on the impact of our investments and how we might do better. Fortunately, 2020 also offered tools to guide our thinking: We could observe the impressive resilience of businesses and communities that had been hard-struck, and we were reminded that technology, ingenuity and pure inspiration can always be leveraged to create solutions.

The Nuveen Private Markets Impact Investing strategy focuses precisely on the critical intersection of needs and creative solutions. It targets resilient, passionate entrepreneurs who have built successful small businesses that simply need capital to continue their growth and impact. These businesses are improving resource efficiency and increasing access to housing, healthcare, education, and financial services. What's more, through those impacts they are building capacity for real economic growth in the communities they serve.

Impact investing has a long history of meeting the competitive return thresholds needed by private equity investors while simultaneously generating positive impacts on families, communities and our planet. It works because the investments are designed from the beginning to meet both financial and impact performance objectives. This report illuminates the results that this kind of focused intentionality can produce and why TIAA remains committed and excited to growing this dynamic strategy.

Marc deBree

Impact *by the numbers*

2019 – 2020 impact of our portfolio

\$1.18 billion
in assets under management

As of 30 Sep 2020

TIAA made its first private markets impact investment in 1989. Since then, its capital has helped to address income inequality and climate change by investing in solutions that drive efficiency, productivity and scale in sustainable development for underserved people and the planet. Nuveen's private markets impact investing portfolio has been invested on behalf of the TIAA General Account since 2008 and is now offered to third-party investors through the [Nuveen Global Impact Strategy](#).

311
million

low-income beneficiaries reached
(out of 427m total beneficiaries)

139
million

female beneficiaries reached
(out of 427m total beneficiaries)

449
thousand

jobs supported
(including 283k jobs held by women)

129
million

low-income borrowers
(out of 153m total borrowers)

19
million

low-income patients treated
(across 397 hospitals and clinics)

46
thousand

deeply affordable¹ housing units preserved
(out of 56k total units)

268
thousand

tons of waste recycled²
(equal to 33m trash bags of waste recycled)

1.4
million

metric tons of CO₂e reduced²
(equal to 302k cars removed from the road each year)

Portfolio snapshot

Since 2012, Nuveen has managed a globally diversified impact investing portfolio that focuses on private equity, private debt and real estate across three impact verticals: inclusive growth, resource efficiency and affordable housing. Our capital solutions aim to create tangible, measurable social and environmental impacts, as well as risk-adjusted financial returns for investors.

At the core of our impact investment thesis is the emerging low-income consumer and the belief that she is underserved in terms of access to basic products and services such as financial services, healthcare, education and housing. She is also most vulnerable to the intensifying effects of climate change. We finance companies that help to narrow the gap in the supply and demand for these life essentials, leveraging technology to improve access, affordability and climate adaptability.

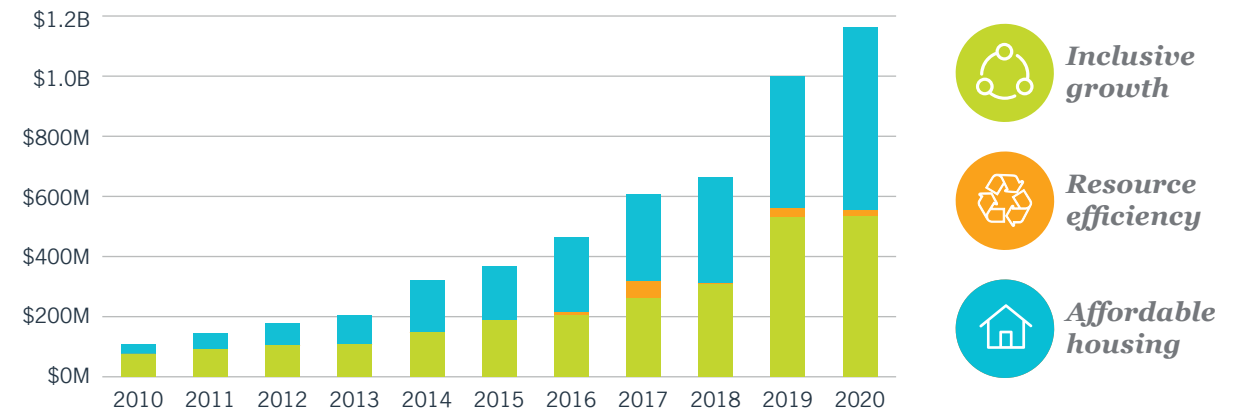
If we want to tackle global sustainability challenges like climate change, we need to learn to live within our means. That's why Nuveen invests in companies that disrupt traditional supply chains and production processes to make them more carbon and resource efficient, enabling the global transition to a low-carbon economy.

As of 30 Sep 2020





PORTFOLIO BY ASSET CLASS (AUM)

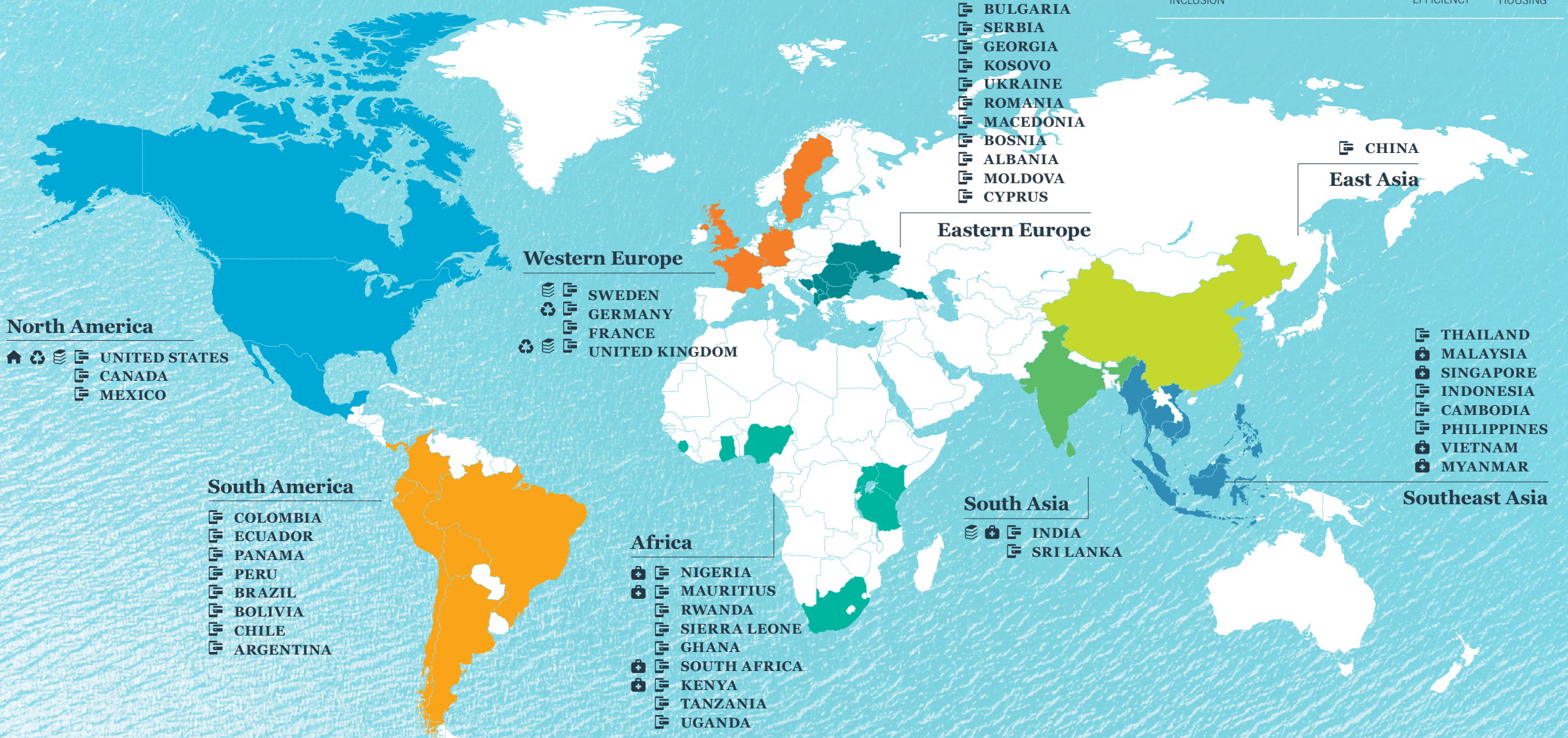


PORTFOLIO BY IMPACT VERTICAL



Global footprint

- 
 FINANCIAL INCLUSION
- 
 EDUCATION
- 
 HEALTHCARE
- 
 RESOURCE EFFICIENCY
- 
 AFFORDABLE HOUSING



Building resilience in a *changing climate*

We invest in climate change mitigation, support climate-vulnerable populations, engage our portfolio companies to improve resource efficiency, and help our clients meet their climate and carbon goals.



CLIMATE CHANGE MITIGATION

Technological advances create opportunities to improve resource efficiency and reduce carbon intensity in production processes and supply chains. We invest in companies that have a direct and substantial contribution to climate change mitigation, in alignment with the EU Taxonomy for Sustainable Finance. From affordable energy storage to sustainable building materials, our investments help traditional sectors transition to a low-carbon future.



CLIMATE VULNERABLE POPULATIONS

While all people are affected by climate change, the poorest populations are the most exposed. Climate change could result in more than 100 million additional people living in poverty by 2030.³ We invest to build social resilience to climate change among low-income communities globally. We do this by financing climate-smart agriculture, investing in disease prevention, helping families save for a rainy day, and alleviating rent burden.



PORTFOLIO CARBON FOOTPRINT

All companies should explore opportunities to reduce carbon emissions intensity over time — it's not only good for the environment, it's good business. We work with our portfolio companies to identify cost-effective opportunities to reduce carbon intensity, for example through energy efficiency improvements or switching to cleaner fuel sources. Every little bit helps to get us closer to achieving the targets set out by the Paris Agreement.

Building *portfolio* resilience in a pandemic

Periods of significant economic dislocation have historically been the best times to deploy private equity. We believe that the relevance of our investment portfolio will only increase in a pandemic-affected world.



Resource efficiency focused companies combine innovation with efficiency to reduce waste while serving large value chains such as real estate, agriculture and recycling. Their customers need to reduce operational costs and keep expenses low, particularly during economic disruption. During the pandemic, companies have continued to improve competitiveness by lowering material and energy bills, reducing or repurposing waste, simplifying and shortening supply chains, and appealing to sustainability-minded consumers.



Inclusive growth companies provide basic services — such as education, healthcare and financial services — to the world’s most vulnerable populations. These businesses are resilient in the face of economic downturns because they are not based on discretionary consumer spending and tend to be nimble in innovating for the customer base. Before the pandemic, financial inclusion providers had already begun to transform digitally to reach more small businesses that lacked access to working capital. Now, they are accelerating this process to better meet customer needs in a socially distanced world. Education providers have adjusted their business models to bring full digital curriculums to the homes of lower middle-class children, retaining revenue streams from both schools and end consumers — all while providing high-quality education to lower middle-class families.

“

The best impact-focused management teams are leveraging a changing world to accelerate innovation in order to better serve their clients, gain competitive advantages and increase their businesses’ resilience.”

— Radhika Shroff, Managing Director



Building *tenant* resilience in a pandemic

Vulnerable populations globally have suffered disproportionate health and economic setback from the pandemic. Persistent social injustices — which are systemic in many countries — create the environment in which these disparities thrive. Nuveen recognizes that we invest within the framework of a broader economic system, and we collaborate with organizations such as the [GIIN's R3 Coalition](#) to explore our role in addressing inequality, driving social equity and building resilience.



In our **affordable housing** portfolio, we are directly addressing inequality and resilience through post-investment adaptive support.

Nuveen has committed over \$400 million in equity to preserve affordable housing properties for low-income and underserved communities in the U.S. — which are among those most vulnerable to the pandemic. Striving to create 'impact beyond four walls,' Nuveen works with its property managers and operating partners to provide the most vulnerable tenants — such as children and seniors — with support to weather this health and economic crisis. Recent examples of this support include:

- Direct funding for a rent relief program for tenants experiencing loss of income in the mid-Atlantic
- Free tutoring and life skills program facilitated by a local non-profit; tailored to children and young adults at a property in a tertiary market
- Partnerships with police departments to deliver school meals to children during the summer and to deliver food pantry items to several properties
- Coordinating delivery service to transport medicine to senior tenants for several assets in the Northeast



*Youth programming
The Villas at Langley*

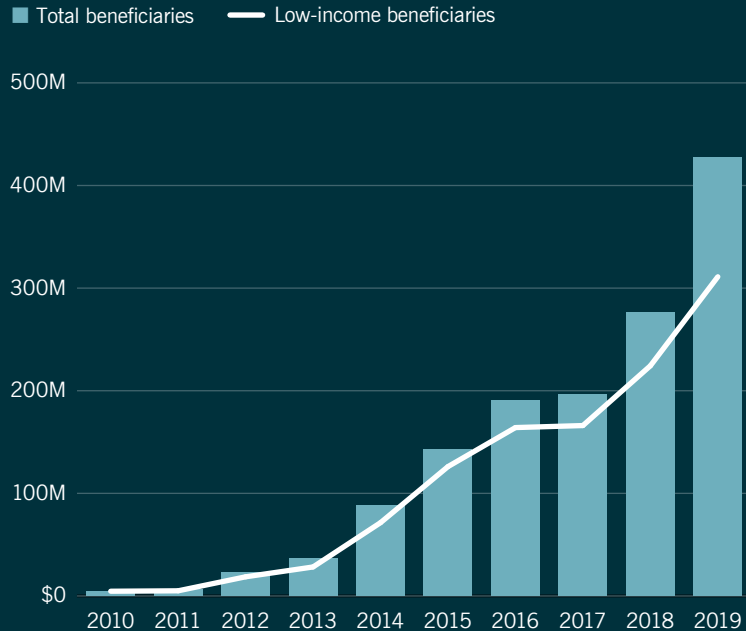
Our portfolio

Demonstrating impact at scale



Portfolio-level impact

LIVES IMPACTED



CLIMATE IMPACT

2013 vs. 2019

Metric tons of CO₂e reduced



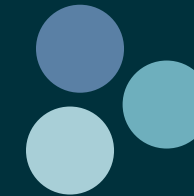
Tons of waste recycled



DIVERSITY & INCLUSION AT OUR PORTFOLIO COMPANIES



25% of board members and
27% of management teams
identify as women



21% of board members and
29% of management teams
of companies based in the
U.S. and Europe
identify as people
of color

Portfolio-level impact

OUR IMPACT ON PEOPLE & PLANET

We've made a material step toward important social and environmental goals, like the UN Sustainable Development Goals (SDGs). And despite our progress, we've only just scratched the surface. There is so much more work to do, and we're committed to demonstrating that our capital can be put to work to deliver meaningful impact for people and planet.

“A combined focus on both investment performance and advancement on issues relating to the UN SDGs is an important motivation for our investors.”

— Rekha Unnithan, Managing Director,
Co-Head Impact Investing



129M
low-income borrowers reached



4M
smallholder farmers impacted



19M
low-income patients treated



45M
underserved students reached



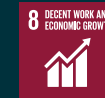
139M
female beneficiaries



33K
cubic meters of water saved



30%
average energy cost savings



449K
jobs supported



35%
more affordable technology



72%
of all clients are low income



40K
deeply affordable housing units preserved



268K
tons of waste recycled



1.4M
MT of CO₂e emissions reduced

Inclusive growth

Empowering the low-income consumer in emerging markets





Four things to know about inclusive growth

1

The emerging consumer remains resilient through economic cycles and shocks. The pandemic has shown low-income consumers to be extremely resilient as borrowers and as clients. For example, even through the pandemic, payment rates on microfinance loans in key emerging markets remain high. Customers are showing both the ability and willingness to repay loans and are continuing to grow their small businesses — demonstrating the resilience of both small businesses as well as the informal economies they serve. We've always believed in the quality of the low-income customer segment, but the pandemic has proven them to be especially resilient — an advantage that is passed on to the businesses and investors that serve them.

2

The best companies innovate quickly to serve the shifting needs of their customers. The pandemic has underscored the importance of understanding customer needs and adapting solutions to fit unique circumstances. Before the pandemic, low-income patients would travel from hundreds of miles away for treatment, in order to access high quality care. With pandemic-related travel restrictions, some hospitals have created smaller or mobile clinics to bring quality care to the customer in rural areas — expanding market penetration while providing essential healthcare when and where it's needed most.

3

Technology will continue to play an important role in increasing access to basic services. While the pandemic has highlighted global inequities caused by the 'digital divide,' technology is also enabling first-time access to education and other essential services for certain underserved customer segments. In India, for example, high quality education was not available to many rural and low-income communities prior to the pandemic. Bolstered by cheap mobile technology and widely available Internet, these communities are able to access high-quality online curriculums at affordable rates. This is one change we hope will persist in a post-pandemic world.

4

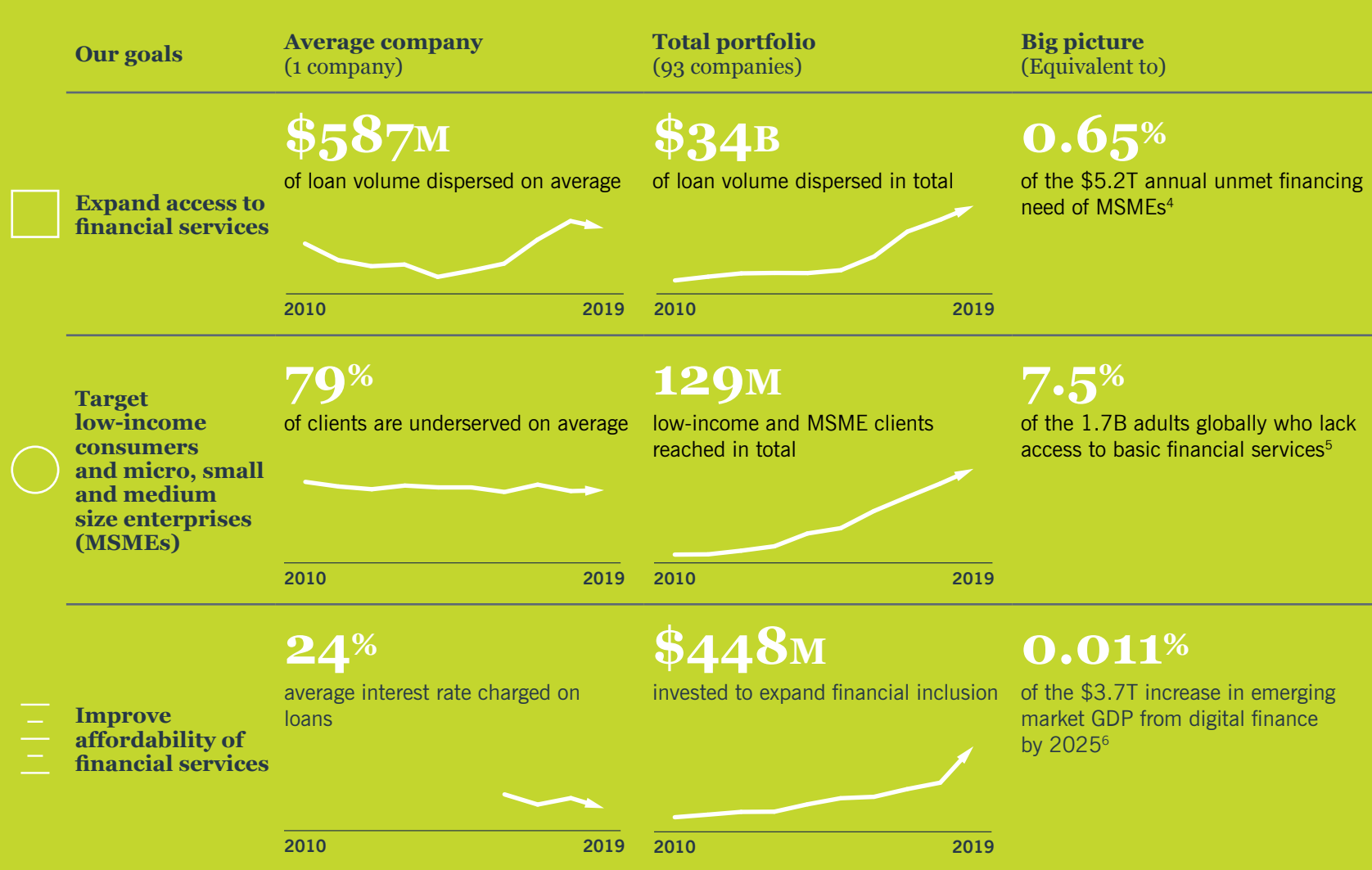
Gender diversity needs to begin at the top. Many of our portfolio companies provide basic services to women, in particular, around the world. It is a widely held (and proven) belief that when women are provided the right resources (education, healthcare and access to capital), they will lead their families out of poverty through their businesses and take care of and educate their children. Currently, many of these companies that target female beneficiaries have very few women in leadership positions — in management and on the board. The same is usually true of the investor base, especially as these companies scale. We are working to change this dynamic, by holding companies responsible and accountable for diversity & inclusion.

“

As strategic shareholders and board members, we actively address the issue of gender diversity — something we feel will be increasingly important for the success of these companies.”

— Stephen Lee, Director

Financial inclusion results



MAKING SENSE OF THE NUMBERS

- Impact metrics change from year to year in part because we seek to exit companies as they have achieved peak impact, and invest in new companies to help them grow their impact: the ‘impact J-curve.’ By exiting responsibly, we seek to ensure that impact continues well into the future, even if we don’t measure impact beyond our investment period.
- The proportion of underserved consumers served by each portfolio company has declined on average, and that’s okay. As financial institutions grow their customer base, many expand to middle-income segments as a way to increase market share or to cross-subsidize the costs of serving lower-income clients. We consider this metric alongside the cumulative growth in underserved consumers reached (which has trended upward over time), to understand our total impact on this market segment.
- Interest rates vary widely in the unbanked world, averaging 30-50% APR.⁷ Our portfolio’s average interest rates have declined over the years, as we continue to drive efficiencies and further scale in delivering financial services. In doing so, we hope to continue passing along savings to customers in the form of lower interest rates.

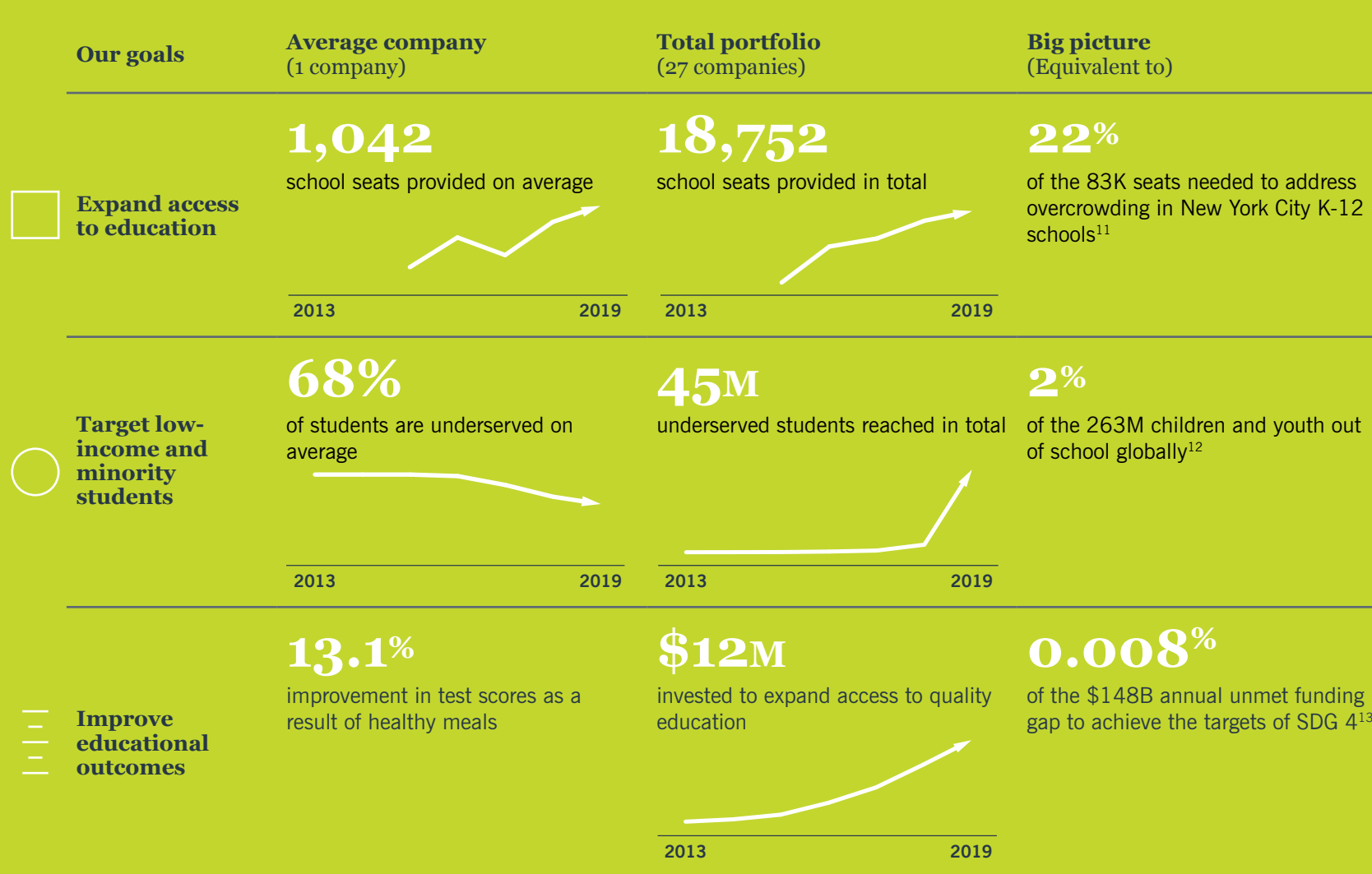
Healthcare results



MAKING SENSE OF THE NUMBERS

- The average number of beds per portfolio company has declined over the years — not because our companies are reducing beds, but because they are pivoting to mobile and other innovative healthcare delivery models beyond brick-and-mortar clinics. Looks like we will need to consider a new impact metric as our business models evolve!
- The average share of underserved patients reached by each portfolio company has declined on average, and that's okay. As healthcare companies grow their customer base, many expand to middle-income segments as a way to increase market share or to cross-subsidize the costs of serving lower-income patients.

Education results



MAKING SENSE OF THE NUMBERS

- We started investing in education in 2013, but we don't have good impact data for all metrics going that far back — for example, number of school seats. It's a common problem that impact investors face. We've decided to report on school seats anyway, because it tells you more about our impact than, say, how many schools we financed. Importantly, we've made it clear where our data is a bit spotty. And considering the shift to remote learning, we may need to find a completely new metric as 'school seats' no longer reflects evolving education models.
- Learning outcomes are the quintessential example of an impact metric that is deeply useful, yet almost impossible to obtain with accuracy without a formal study. Revolution Foods did just that. Partnering with the W.K. Kellogg Foundation, they studied the impact of their healthy meals on students' test scores and the [results are incredible](#).¹⁴



**CASE STUDY:
SAMUNNATI**

Driving climate-smart agriculture through value chain finance

Samunnati is an Indian non-bank finance company solely focused on providing lending and working capital solutions to various actors in the agricultural value chain, including Farmer Producer Organizations (FPOs) and agri-enterprises, both of which historically have struggled to obtain financing. Samunnati's work has the indirect but powerful effect of improving the livelihoods of often-marginalized smallholder farmers and encouraging climate-resilient agricultural practices.

Deal dynamics

Investment \$20 million

Date of investment May 2019

Type Growth equity

Round Series D

Geography India

UN SDG alignment



Driving climate-smart agriculture through value chain finance

WHAT CAN WE LEARN FROM THEM?

Samunnati's biggest differentiator is how it addresses multiple parts of the value chain holistically. Finance and lending are very important, but India's agricultural sector faces diverse and complex challenges that products alone cannot solve. The real world must drive the strategy.

In light of this reality, Samunnati has evolved its offering to optimize virtually every part of the dairy value chain. Working with a milk aggregator, they support uncollateralized loans to dairy farmers for buying a second family cow to boost production. Samunnati also facilitates arrangements in which the aggregator commits to accepting a certain regular supply of raw milk, thus stabilizing the dairy farmer's cash flow while ensuring a steady flow of milk for the marketplace.











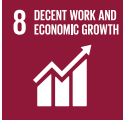
At the core of Samunnati's approach are an alignment of incentives, a real-world market focus, and integration of services to reduce friction and boost efficiency across the agricultural value chain.

WHAT CAN WE EXPECT FROM THEM?

Samunnati envisions creating "input shops" for farmer-producer organizations (FPOs) and other farmer collectives — places where hundreds of member farmers could visit and purchase their agricultural inputs using a Samunnati card-based wallet. Significantly, these shops would not stock chemical fertilizers that degrade soil, thus encouraging more responsible, climate-smart agriculture. In that same vein, Samunnati will seek to reduce chemical inputs in fields through such techniques as using satellite imagery to pinpoint and treat at-risk crops.

Another strategy will be to provide warehousing services to farmers, which will let them keep some products off the market during periods with high availability and low prices. This tool, combined with Samunnati-provided liquidity, will help farmers derive fair value from the current harvest while also helping them finance crops in subsequent years in the face of a changing climate.

Samunnati's Net Impact

	INR 31 billion loans dispersed	+3		84% of loans are to marginal farmers with <2 acres of land 100% of clients are rural	+3
	54 agriculture value chains targeted 4m smallholder farmers reached	+3		Increased capacity utilization at dairy cooperative by 6x	+2
	50% member farmers are women 11% female managers + 12% female board members	+2		Educates and advocates for climate-smart agriculture practices	+1
	Water conservation during production	+1		E&S lending policy excludes businesses with a negative environmental impact	+1
	Solar power and energy-efficient lighting help to reduce the carbon footprint	+2		Provides credit to climate-smart agro-forestry operators, resulting in reduced carbon emissions and improved resilience	+2
	392 jobs supported + 31 staff training programs	+2	NET IMPACT SCORE		22

*The **Net Impact Score** is a management tool that helps us to classify any investment based on its positive or negative impact externalities. We use it together with social and environmental performance data to manage for impact over the life of the investment. Note that this net impact analysis represents the score utilizing our tool, and that the company itself may utilize different tools to measure its impact. See page 35 for more details on our approach.*

Resource efficiency

Disrupting traditional industries to improve efficiency and mitigate climate change





Five things to know about resource efficiency

1

Don't overlook opportunities on the energy demand side. Currently, energy supply is getting a lot of focus, as the world strives to replace oil & gas with renewables. By contrast, this portfolio is focused mainly on the energy demand side, where it is possible to cut emissions and lower resource intensity in sectors ripe for disruption. Reforming how key industries operate can lower resource intensity and energy use while cutting down on landfill waste — all of which reduce greenhouse gas emissions and deliver cost reductions for companies.

2

A tidal wave of technologies is poised to impact almost every resource-driven industry. We're particularly excited about: improvements to energy storage technologies; energy and water efficiency gains in real estate; advanced processing technologies in the recycling sector; green packaging and construction materials; and technologies to improve the quantity and quality of food grown while preserving soil health.

3

The biggest unmet needs are in emerging markets, where the required capital investment is often too high relative to the value of commodities and the challenge of doing business at scale is great. For example, recycling is beginning to take hold in emerging markets, but it demands a business model quite different from what we have seen work in developed markets. Case in point: Nepra in India relies on waste-pickers instead of trucks for collection of recyclables.

4

A good idea does not necessarily make a good company. We see many companies where years of R&D efforts are now paving the way for first-time commercial facilities. This is exciting from the standpoints of growth and impact, but it also creates challenges involving underwriting construction, and market and overall execution risks. Management teams must shift from years of development work to operate a large — often first-of-their-kind — commercial business.

5

Certain factors continue to hinder progress towards achieving impact at scale. Overall, we are optimistic about the technologies we see, but we'd like to see faster progress. Investment is needed, especially in capital-intensive businesses with physical plants. Capital providers are right to set a high bar for investing. There's always a tension between the promise that these companies offer on paper and the realities of building capacity, cultivating market interest at the right price points, and having a management team that can achieve milestones at a pace that matches cash-burning realities.

“

Reforming how key industries operate can lower resource intensity and energy use while cutting down on landfill waste — all of which reduce greenhouse gas emissions and deliver cost reductions for companies.”

— *Chris Steinbaugh, Director*

Resource efficiency results

Our goals

Average company
(1 company)

Total portfolio
(7 companies)

Big picture
(Equivalent to)



□ **Improve resource efficiency**

134K

tons of waste recycled on average



268K

tons of waste recycled in total



33M

trash bags of waste recycled instead of landfilled.¹⁵

○ **Reduce CO₂e emissions**

172K

MT of CO₂e emissions reduced on average



1.4M

MT of CO₂e emissions reduced in total



0.027%

of the 5,130M MT total energy-related CO₂e emissions in the US in 2019.¹⁶

▬ **Mitigate climate change**

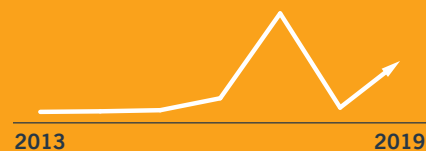
30%

cost savings realized through energy savings and more affordable energy storage technology



\$30M

invested to address climate change



0.00006%

of the \$50T of investment needed to mitigate climate change by 2050¹⁷




MAKING SENSE OF THE NUMBERS

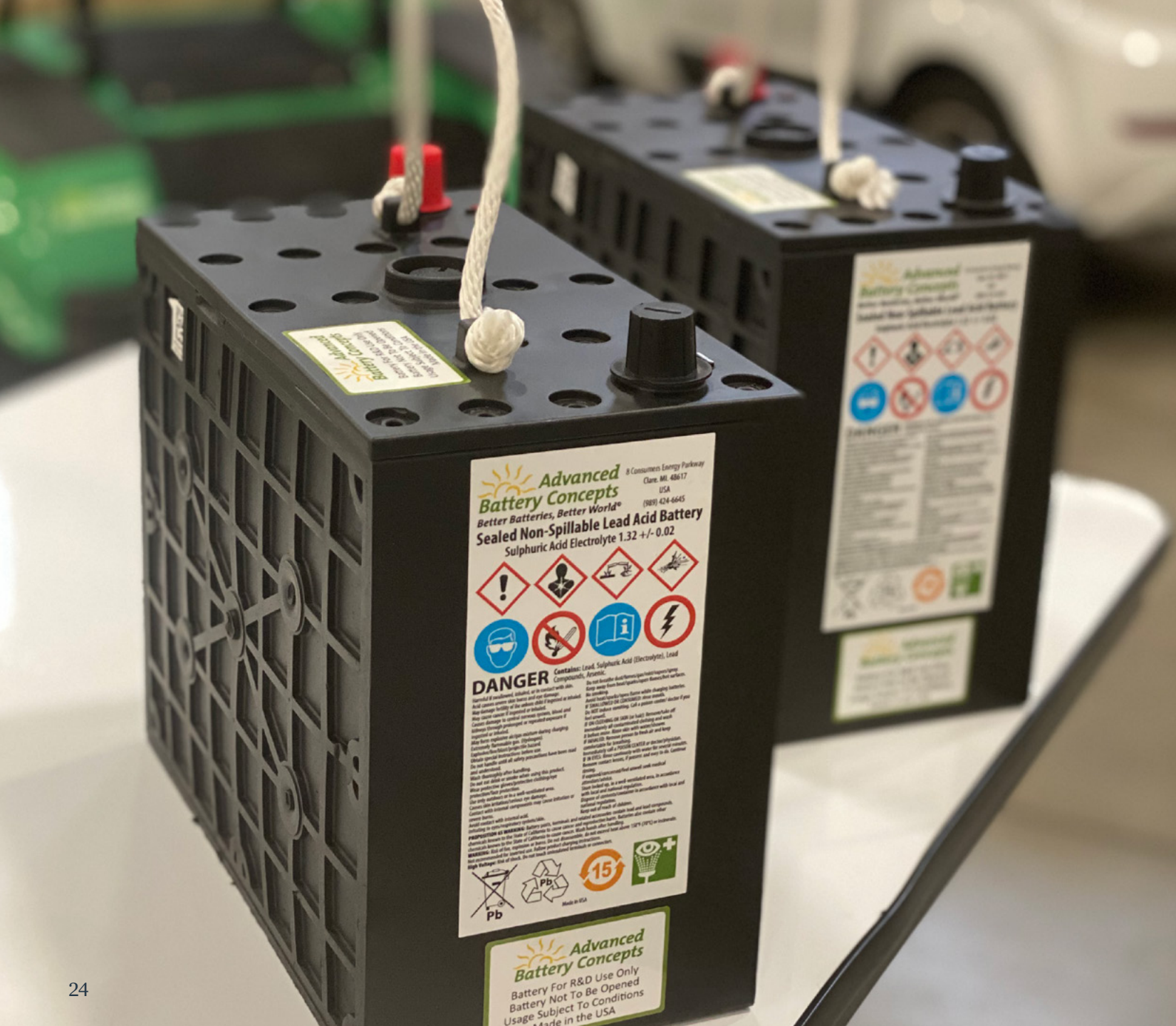
- The impact metrics reported here only include portfolio companies that intentionally target resource efficiency outcomes, like recycling and energy storage companies. We also work with all companies across the portfolio to improve energy and resource efficiency, with plans to begin reporting on our portfolio carbon footprint in 2021.
- Many investors have committed to carbon emissions reduction targets like 'net zero by 2050', which means they intend to achieve carbon neutrality across the investment portfolio. Investments in resource efficiency companies that reduce carbon emissions can help investors to achieve these carbon targets while meeting risk-return objectives.

**CASE STUDY:
ADVANCED BATTERY CONCEPTS**

Bringing affordable energy storage to emerging markets

Advanced Battery Concepts (“ABC”), based in Clare, MI, develops and licenses intellectual property for manufacturing lead acid batteries with a ‘bipolar’ architecture. ABC’s GreenSeal™ technology improves battery performance (which reduces raw material inputs) and satisfies market needs for a more affordable and environmentally friendly alternative to lithium-ion technology. Look out for ABC’s technology to fuel electric bikes in emerging markets and contribute to grid storage capacity for renewables globally.

Deal dynamics	
Investment	\$10 million
Date of investment	October 2020
Type	Growth equity
Round	Series B
Geography	Clare, MI
UN SDG alignment	  



Bringing affordable energy storage to emerging markets

WHAT CAN WE LEARN FROM THEM?

Affordable and reliable electric energy storage will be critical to achieving a clean energy transition that aligns with the Paris Agreement. Rechargeable batteries — in vehicles, homes or on the grid — reduce reliance on fossil fuels, harness solar and wind options, and optimize the balance of supply and demand.

In recent years, the spotlight has been on lithium-ion batteries, with their attractive energy-to-weight ratios and high-profile adherents such as Tesla Motors. However, such batteries are costly to create, require controversially sourced raw materials, and are not easily recyclable. ABC's technology delivers a similar performance profile yet is cheaper, safer and simpler to produce, lowering the environmental impact and creating benefits for participants throughout the value chain — especially in emerging markets.

“

If we are to tackle global sustainability challenges like climate change, we need to learn to live within our means. ABC's technology improves the performance, cost, and resource intensity of lead-acid batteries while preserving full recyclability. We believe high-performing lead-acid batteries will play an important role as electrification continues globally.”





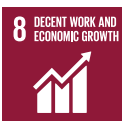
— David Haddad, Managing Director, Co-Head Impact Investing

WHAT CAN WE EXPECT FROM THEM?

ABC's battery technology seeks to play a major role in emerging markets where better, more affordable energy storage solutions can be a game-changer. Specifically, ABC's battery designs could help countries such as India to transform millions of small, diesel-burning vehicles — two-stroke-engine motorcycles, scooters and rickshaws — into cleaner (and less noisy) e-vehicles. Beyond cutting carbon emissions, such a transition would help clear the air in a nation where an estimated one million people die each year from air pollution-related diseases.

Other opportunities for ABC include grid storage solutions (both at the utility level and in homes) and other lead acid mainstays such as starter batteries for cars and backup power for critical applications such as telecom towers and data centers. In these areas, the cost/performance trade-off favors enhanced lead acid over lithium ion. ABC and its customers plan to commercialize these applications beginning in 2021.

Advanced Battery Concept's Net Impact

	Improved health and safety environment for employees	+1
	Adding diversity & inclusion (D&I) policy	+1
	Water conservation during production	+1
	35-50% more energy and power than traditional lead-acid battery	+3
	Employee incentives to encourage innovation	+2

	35-50% more affordable to produce, enabling access for all	+2
	Promotes greener cities in emerging markets	+1
	100% recyclable with 2-3x longer life cycle and 45% more material-efficient	+3
	Enables the clean energy transition	+3

NET IMPACT SCORE

17

*The **Net Impact Score** is a management tool that helps us to classify any investment based on its positive or negative impact externalities. We use it together with social and environmental performance data to manage for impact over the life of the investment. See page 35 for more details on our approach.*

Affordable housing

Building community beyond four walls



OVERVIEW

OUR RESULTS

IMPACT MANAGEMENT

Four things to know about U.S. affordable housing

Nuveen invests to preserve affordable rental housing in the U.S., including properties regulated by federal subsidy programs (e.g., LIHTC) as well as unregulated naturally occurring affordable housing.

1

It's important to know your tenants in order to support them. That's what our property managers have been doing from day one of the pandemic. Early on, managers went door to door, ensuring that tenants were okay. They sat down with families to discuss payment plans and encouraged them to focus on essentials, such as feeding the family and paying the utility bills. These efforts have built even stronger ties between our property managers and tenants, and reinforced our commitment to 'impact beyond four walls.'

2

Technology must be harnessed for affordable housing. Modern conveniences that many take for granted — such as Internet and transport services — often are not available to residents in affordable housing properties. Properties aren't always located near transportation hubs and income levels may not qualify for free services. These tremendous service gaps were brought into the spotlight as technology-enabled learning and telehealth became mainstays during the pandemic. At Nuveen, we are exploring options to bring tech-driven services to our properties to ensure equitable access. For example, 100% of residents at a property in the Bronx will be provided complimentary Wi-Fi capability. We are also expanding our shared electric vehicle services to several properties in the northeast where access to public transportation is limited.

3

Rent payments and occupancy rates remain high during the pandemic, but is that a good thing? Properties bolstered by U.S. government subsidies endured the pandemic without significant underperformance. This is good news from an investment perspective, but the reason behind this resiliency is more sobering. Tenants prioritized rent because housing instability is top of mind and immobility is a real threat. Across our portfolio, we've taken a proactive approach by assuring tenants that they won't lose their homes. For example, we have offered payment plans, engaged with local assistance organizations, and provided direct rent relief in places where no local subsidies are available.

4

Small steps can have a big impact on diversity, equity & inclusion. The residents we serve represent diverse populations across the country, but advancing DE&I begins with our investment portfolio and our approach to selecting partners and vendors, and building communities. When we partner with a new organization, we meet every member of their team. This gives us a sense for how inclusive and diverse the team's culture is, and ensures that every employee is given a voice. This standard of governance translates to how we operate at the property level. Even small design choices can make a difference for our diverse tenant base. Ventilation systems, window types and material selections can impact tenants' health, well-being and ability to practice cultural traditions — we strive to be responsive where we can.

“

Across our portfolio, we've taken a proactive approach by assuring tenants that they won't lose their homes — offering payment plans, local assistance, and even direct rent relief in places where no local subsidies are available.”

— Pamela West, Managing Director

Affordable housing results

Our goals

Average property
(1 property)

Total portfolio
(481 properties)

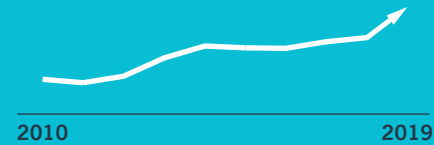
Big picture
(Equivalent to)



Expand access to affordable housing

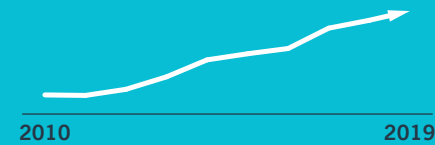
196

deeply affordable units preserved on average



46K

deeply affordable units preserved in total



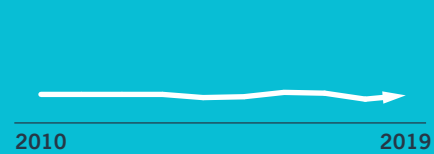
0.63%

of the 7.2M affordable and available rental homes needed in the U.S.¹⁸

Target low-income and underserved tenants

51%

lower effective rent paid by tenants compared to average market rents



94%

of units are deeply affordable for tenants earning <60% AMI



0.16%

of the 20M U.S. rental households that spend more than 30% of their income on rent.¹⁹

Provide social services to enhance tenant well-being

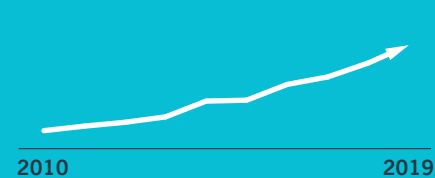
20%

average participation rate in after-school programs by school-age tenants

This is a new metric for us, hence no time series data to report.

\$438M

invested to preserve and 'green' affordable housing



0.004%

of the estimated \$10T needed to replace substandard housing by 2025.²⁰

MAKING SENSE OF THE NUMBERS

- We focus on preserving housing that is affordable for those earning 30% – 60% of their area's median income (AMI). We call this deep affordability. Many properties we invest in are 100% deeply affordable, while others blend deeply affordable units with other units priced for higher-income tenants earning up to 80% AMI. This dual approach enables us to preserve affordable units wherever they exist, and explains the steady decline in the share of deeply affordable units in our portfolio over time.
- Preserving affordability is only one part of how we support tenant well-being. We invest in 'greening' buildings to save energy and utility costs while bringing sustainable living environments to low-income and other underserved communities.
- We're continuing to work with our property managers to introduce new social services and measure the impact of the ones we already provide. Our focus is on tenant health and wellness, financial stability, school support and community engagement. We strive to create impact "beyond four walls."






**CASE STUDY:
THE VILLAS AT LANGLEY**

A customer-centric approach to affordable housing

In a region where quality affordable housing is in short supply, the Villas at Langley apartment complex strives to offer individuals and families a place to live, pursue opportunities and build community. Located in Hyattsville, MD, just northeast of Washington, DC, the Villas’ 590 affordable units offer easy access to employment centers, commercial areas, schools and public transportation.

Residents benefit from on-site amenities such as a pool and playground. However, the property’s most unique feature is an onsite non-profit center, Casa de Maryland, which provides job training and other services for a predominantly Latinx population.

Deal dynamics	
Investment (equity)	\$41.5 million
Date of investment	April 2020
Type	Real estate equity
Sector	Affordable non-restricted (NOAH)
Geography	Hyattsville, MD
UN SDG alignment	  

A customer-centric approach to affordable housing

WHAT CAN WE LEARN FROM THEM?

There's a lot that Nuveen has in common with our partner Jair Lynch, who founded Jair Lynch Real Estate Partners ("Jair Lynch") in 1998 with a vision for place-based and community-focused affordable housing. Jair Lynch is in the business of housing, but provides much more. The firm believes that housing solutions work best when they are combined with commerce, transportation, education and other resources to create a community and sense of belonging.

Jair Lynch manifests this philosophy in how it delivers service — renters are "customers" rather than "tenants" — and in how it strives for fairness in rent pricing and customers' ability to pay. Jair Lynch uses market data to calibrate rent prices, so that cost and value are more transparent. Also, during the pandemic, the firm and Nuveen launched a program that let customers apply for relief from rent payments on a case-by-case basis. This approach is helping to preserve the Villas' profitability while avoiding uprooting customers who genuinely cannot meet their obligations.

WHAT CAN WE EXPECT FROM THEM?

Jair Lynch plans to capitalize on opportunities to enhance quality of life for its customers through direct investments and partnerships. The team looks to improve the property with new individualized heating and cooling systems, high efficiency water sensors and fixtures, as well as new 2MW of solar. The team also installed building and fence art with Casa de Maryland and Neighborhood Design Center that is attuned to the cultural traditions of its customers who are immigrants from South and Central America.

Community resiliency is at the heart of the partnership's mindset. The property will soon be connected via a 16-mile light rail to several job centers, including the University of Maryland. The team is also designating several acres of excess land for future development of additional affordable housing and neighborhood assets, including a mixed-use branch library, demonstration kitchen, and food hall. Unlocking this value will be beneficial to not only the partnership but also to many generations of future customers and community members.

Nuveen views its partnership with Jair Lynch as a key part of its strategy to expand affordable housing investments in the U.S. mid-Atlantic region. Jair Lynch's successful strategies in the dynamic D.C. market have the potential to be scaled up for other rapidly changing regions nationally.

The Villas at Langley Net Impact

	995 low-income tenants housed	+3		Building energy audit completed and energy efficiency improvements underway	+1
	Distributes free fruits and vegetables in partnership with a local non-profit	+2		Employment placement for on-site improvements and other off-site opportunities	+2
	An on-site non-profit provides health assistance and medical interpretations for residents	+2		19% discount to average market rents	+3
	Building a 21st century library on-site	+2		590 units of naturally occurring affordable housing, with 50% deeply affordable units (<60% AMI)	+3
	>60% of tenants are women	+2		Adopting and reporting on sustainability practices	+1
	Water and energy efficiency improvements are underway	+1		Plans to reduce building carbon footprint and halve utility usage	+2

The **Net Impact Score** is a management tool that helps us to classify any investment based on its positive or negative impact externalities. We use it together with social and environmental performance data to manage for impact over the life of the investment. See page 35 for more details on our approach.

NET IMPACT SCORE

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Impact management

Integrating ESG and impact
into the investment process



Four things to know about impact management

1

Align with standards where it makes sense.

Nuveen selects performance metrics that enable efficient capital allocation to investments with promising impact and financial performance. We use a bottom-up approach with our investees — asking them what matters most and what impact data they already collect. This conversation drives selection of bespoke performance metrics and ensures flexibility to include stakeholder perspectives as appropriate. We use a top-down approach to report on several metrics consistently across the portfolio — aligning with standard industry frameworks like IRIS+ and the UN SDGs where possible. It's easy to get carried away with standards — sometimes less is more.

2

Consider negative impact alongside positive impact.

It's common to talk about positive impact, but there has not been as much appetite for discussing negative impact. We're striving to change that using a Net Impact Score (page 35). Take for example our recent investment in Advanced Battery Concepts (ABC, page 24). Energy storage is typically evaluated on its carbon reduction potential, which can cause other social or environmental externalities (such as those associated with lithium ion batteries) to be overlooked. The Net Impact Score, by contrast, evaluates the potential positive climate impact alongside potential negative social impacts such as controversial sourcing and employee health and safety, to ensure a holistic view. Companies that minimize negative impact well — like ABC — will have a higher overall Net Impact Score.

3

Integrating impact into financial analysis.

Using impact data in an efficient frontier model can help investors to understand how impact relates to the financial performance at the individual company and portfolio level. It helps us understand whether impact is scaling at the same pace as the business (in terms of annual revenue or book value), and provides an indication of impact 'efficiency' per dollar invested. When comparing investments across diverse sectors or at the total portfolio level, the Net Impact Score helps to ensure a consistent and universal measure of impact performance.

4

Disclosure and independent verification is here to stay.

As new players enter the impact investing market, transparency on impact has never been more important. Such transparency can be achieved through disclosure and independent verification of a manager's impact management practices, both of which are required of signatories to the Impact Principles (Nuveen is a founding signatory). In 2020, Nuveen published the inaugural disclosure of our impact management practices and their alignment with the Impact Principles. Our disclosure was verified by an independent third-party consultant, which is one of many options available to managers seeking verification (another is using a separate in-house team). Even for long-time impact investors like Nuveen, the Impact Principles represent an important opportunity to document and formalize our practices, in the spirit of continuous learning and transparency.

“

It's common to talk about positive impact, but there has not been as much appetite for discussing negative impact. We're striving to change that by considering impact externalities (both positive and negative) together with intentional positive outcomes.”

— Allison Spector,
Director of Responsible Investing

SPOTLIGHT:

Net Impact Score

Nuveen believes that all investments have the potential for both positive *and* negative impact — even impact investments. We strive to reflect that reality in what we measure and what we report, but it's not always easy — especially when you lack good quality data. That's why we've created the Net Impact Score — a management tool that helps investors understand and compare investments based on their net effects on people and planet, aligned with the UN SDGs.

NET
IMPACT
SCORE

22

SCORE INVESTMENTS ON POSITIVE OR NEGATIVE ALIGNMENT WITH THE UN SDGS

Investments are scored for potential positive or negative alignment with each of the UN SDGs, gaining or losing points based on whether the impact is intentional (i.e., impact investing) or an externality (i.e., ESG integration). The sum of all SDG-scores is the investment's Net Impact Score, and the portfolio-level score is the weighted average of all investments' Net Impact Scores. Below is an example of Samunnati's net impact score.

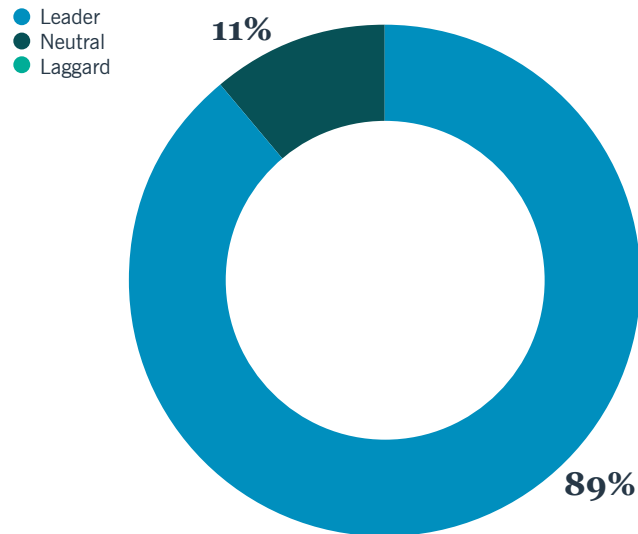
Ignore negative externalities	Not applicable	Avoid negative externalities		
		Mitigate or significantly reduce negative outcomes for people and the planet (+1)	Benefit stakeholders Generate positive outcomes for people or the planet (+2)	Contribute to solutions Generate substantial positive changes for otherwise underserved people or the planet (+3)
<ul style="list-style-type: none"> 3 GOOD HEALTH AND WELL-BEING 4 QUALITY EDUCATION 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 11 SUSTAINABLE CITIES AND COMMUNITIES 	<ul style="list-style-type: none"> 6 CLEAN WATER AND SANITATION 14 LIFE BELOW WATER 13 CLIMATE ACTION 	<ul style="list-style-type: none"> E&S lending policy excludes lending to businesses with a negative impact on the environment or displacement of people Nuveen ESG rating of 5/5 on "Financial environmental impact" indicator 	<ul style="list-style-type: none"> 5 GENDER EQUALITY: 50% of member-farmers are women 7 AFFORDABLE AND CLEAN ENERGY: Uses solar power and LED to reduce carbon footprint 8 DECENT WORK AND ECONOMIC GROWTH: Employee ESOP and training programs 12 RESPONSIBLE CONSUMPTION AND PRODUCTION: Capacity building for sustainable resource use 15 LIFE ON LAND: Lends to climate-smart agroforestry projects 	<ul style="list-style-type: none"> 1 NO POVERTY: 84% of clients are very low-income 2 ZERO HUNGER: 4M underserved smallholder farmers 10 REDUCED INEQUALITIES: Enhanced lending terms vs. peers

SPOTLIGHT: Managing ESG and climate risk

Generating positive impact does not preclude impact investors from considering material ESG risks such as climate change. In fact, we believe that a holistic view can make impact investing even more sustainable. Integrating ESG factors into the investment process helps us reduce investment risk, enhance long-term value and *mitigate negative impact*, an often-overlooked part of impact investing.

ESG RISKS AND OPPORTUNITIES

Portfolio ESG ratings composition



Signatory of:



ESG integration remains a core part of our investment process, as described in our 10-year retrospective report [Raising the Bar](#) and in [Nuveen's Responsible Investment Policy](#). We continue to develop and evolve proprietary tools to underpin investment team ESG due diligence and monitoring, such as *Nuveen's Private Markets ESG Ratings tool*. This materiality-based ESG assessment capability harnesses MSCI and Verisk Maplecroft research to provide a backward- and forward-looking assessment of material issues for private companies.

Nuveen analysts assign an ESG rating to each investment and update the rating annually as part of the ESG monitoring process. The ESG rating highlights impact risk and helps us proactively mitigate unintended negative outcomes of our investment activity.

89% of the portfolio is considered 'leader' in terms of ESG quality, meaning that companies outperform their peers and industry standards. The balance are considered 'neutral,' indicating average performance relative to peers.

Climate change risk

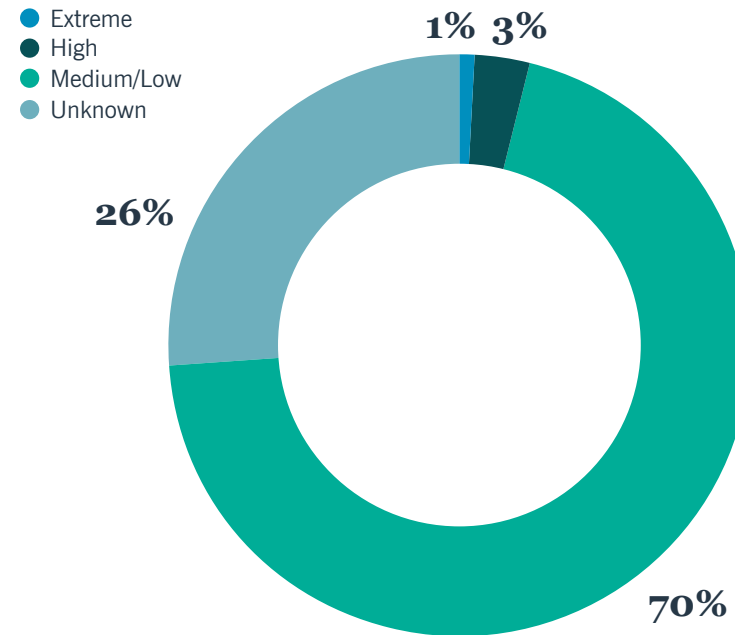
Climate change is fundamentally reshaping finance as investors and businesses adapt to the realities of global warming and a low-carbon future. Impact investing portfolios, regardless of their focus, must consider the physical and transition risks associated with climate change and how these will affect both investment performance and their intended social and environmental outcomes.

Nuveen believes that climate risk is financial risk, and that assessing and managing that evolving risk over time will make us better investors and equipped to achieve positive outcomes for our clients. That's why we created a firm-wide strategy to tackle climate risk across all investment portfolios.

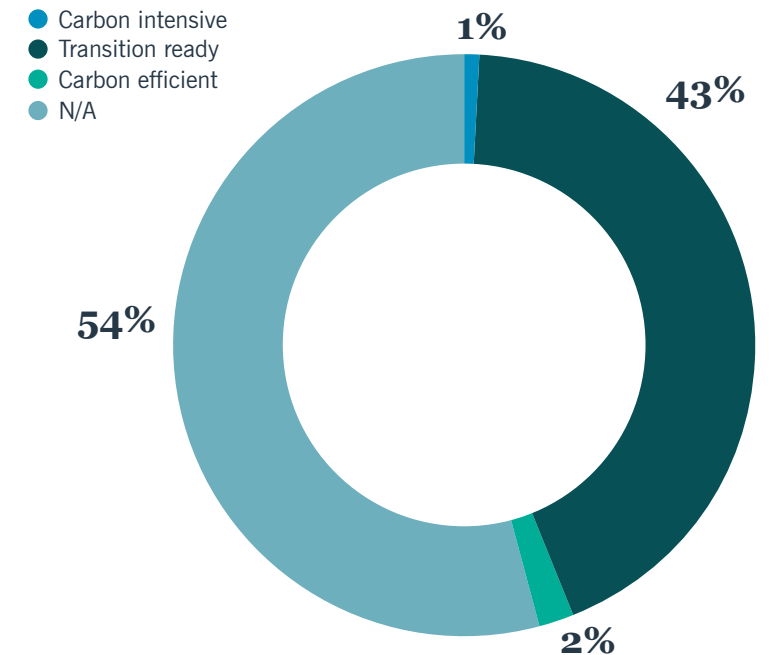
We continuously report on our activities and how they align with industry standards such as the Taskforce on Climate-Related Financial Disclosures (TCFD) and EU Taxonomy on Sustainable Finance where relevant.



Portfolio physical climate risk exposure



Portfolio transition risk exposure



SPOTLIGHT: Learning with the market

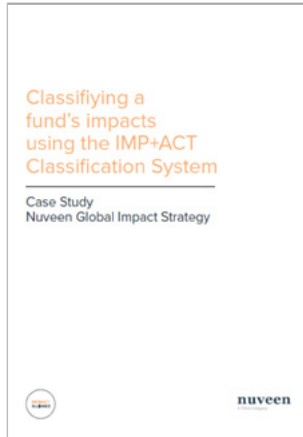
Nuveen is among the world's largest impact investors, with more than \$1 billion invested in private markets and three decades of market leadership. Since our early days as one of the first institutional investors in impact investing, we continue to learn and adapt our approach, always with a view to contributing insights for the benefit of the industry overall. As the impact investing industry continues to evolve and mature, Nuveen remains committed to integrating impact into decision-making and sharing our results transparently.

INTEGRATING IMPACT INTO FINANCIAL ANALYSIS

IMPACT MANAGEMENT PROJECT



ALIGNING WITH INDUSTRY FRAMEWORKS



DISCLOSURE & VERIFICATION



Our impact reporting methodology

This report provides an overview of the social and environmental performance of our private markets impact investing portfolio, covering a two-year period from 2019 – 2020 (with all impact data sourced as of 31 Dec 2019).

We collect self-reported data at the company or property level from impact reports, investor reports and other sources provided by our investees. Raw data is converted into common indicators (aligned with IRIS+ where possible) and annualized by measuring the incremental value as of the calendar year-end (2019). This enables aggregation and analysis by year and over time. We report on the absolute impact achieved by our investees (instead of discounting for Nuveen’s pro rata share of the investment), starting from the vintage year of each investment and ending the year of exit or 2019, whichever comes sooner.

This year’s report includes a new feature — contextualizing our impact in the context of the ‘big picture.’ We do this to give readers a sense of scale when they think about our impact relative to the scale of the challenge. These representations should be viewed as illustrative only.

	Core indicator	Definition and IRIS alignment
CLIENTS	Lives impacted (beneficiaries)	Number of unique individuals who benefitted from the investments defined by the investee. This may include clients, employees, or others depending on the theory of change.
	Number of clients	<ul style="list-style-type: none"> Number of unique individuals who were clients of the organization (borrowers, patients, students, tenants) Where financial services organizations report both borrowers and depositors, we only account for borrowers (active) to avoid double counting the same customer (IRIS PI4060)
CLIENT DEMOGRAPHICS	Female	Number of unique women who were clients of the organization (IRIS PI8330)
	Low-income	<ul style="list-style-type: none"> Number of unique low-income individuals who were clients of the organization (IRIS PI7098) For clients in emerging markets, low-income is defined by our investees based on the market(s) of operation For students in the U.S., low-income is defined as students qualifying for free and reduced price school meals (IRIS PI4555) For tenants in the U.S., we define low-income as tenants earning <60% of area median income. This is based on HUD’s definition of low-income as <80% AMI and very-low-income as <50% AMI
	Minority or people of color	<ul style="list-style-type: none"> Number of unique individuals who self-identify as a person of color School enrollment: Number of students who belong to minority groups and are enrolled as of the end of the reporting period (IRIS PI7774)
	Underserved	Clients who are underserved in relation to the target outcome(s), which may include any of the demographics described above and will depend on the context of the investment. We use this metric as a descriptor but do not report in aggregate to avoid double counting (IRIS PD5752)
JOBS	Jobs supported	Number of full-time equivalent employees working for enterprises financed or supported (IRIS PI4874). Also disaggregated by gender.
PRODUCTS & SERVICES	Loan volume	Value of disbursed loans remaining on the organization’s balance sheet (IRIS PI7569)
	Housing units	Number of housing units constructed or preserved (IRIS PI2491)
	School seats	Number of school seats (capacity) created or financed
	Beds	Number of hospital beds or clinics (capacity) created or financed
AFFORDABILITY	Deeply affordable housing units	Housing units that are affordable for tenants earning <60% of the area median income, as defined by the U.S. Department of Housing and Urban Development (IRIS PD5833)
	Client savings premium	Ratio of the price savings obtained by the client from purchasing a product/service from the organization compared to the average price that would be otherwise paid for a similar product or service in the local market (IRIS PI1748). Includes ‘lower effective rent.’
RESOURCE EFFICIENCY	CO ₂ e reduced	Amount of reductions in greenhouse gas (GHG) emissions (metric tons) over the lifetime of products or services sold (IRIS PI5376)
	Waste recycled	Amount of waste recycled (tons) through programs for substitution, recycling or recovery (IRIS OI7920)
	Water saved	Volume of water savings (1000 m ³) over the lifetime of the organization’s products/services for products/services that were sold during the reporting period (IRIS PD5786)

Private markets impact investing team

2019 – 2020



Rekha Unnithan
*Managing Director
Co-Head, Impact Investing*



David Haddad
*Managing Director
Co-Head, Impact Investing*



Radhika Shroff
*Managing Director
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Justin "Biff" Ourso
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Chris Steinbaugh
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Georgiana Earle
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Cristina DiMeglio
*Senior Administrative
Assistant*

Diversity and inclusion starts with us

OUR TEAM IN 2020:

- 50% of senior management and the investment committee identify as **women of color**
- 50% of the team identify as **women**
- 50% of senior management identify as **people of color**
- 64% of the team identify as **people of color**
- 100% of the team participated in **inclusive bias training** in 2020

This report was developed in consultation with Nuveen staff responsible for private markets impact investments, as well as stakeholders that provided insight and context on key issues. We thank Marc deBree, Jair Lynch, Anil Kumar SG, Ed Shaffer, Mills Global, Robert Hamilton, Jake Butler, Dan Nyugen, and Nuveen’s marketing professionals — especially Traci Kunath, Kristen Brady, Wil Cruz, Jess Greaney, Jacqueline Haviland, and Liz Sansone — for their assistance with creating this report.

Endnotes

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