

**nuveen**

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# Impact Investing in Public Fixed Income Markets

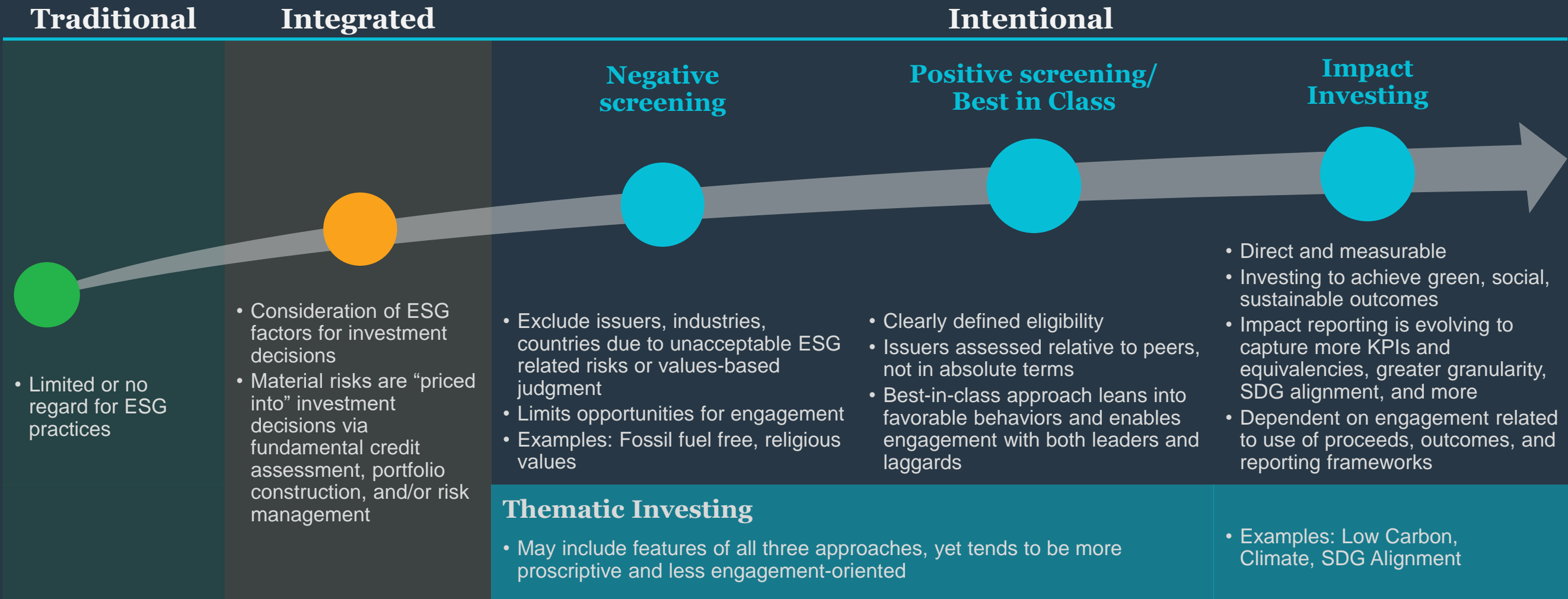
Stephen M. Liberatore, CFA

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2024

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# Fixed income investment approaches



Source: Nuveen GFI

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# Our impact investing framework

We identify impact investments across the global fixed income markets using “direct and measurable” criteria established in 2007:

- Use of proceeds (explicit objective, initiative, or projects(s); “pure-play” issuer mission)
- Issuer commitment to transparent, relevant impact reporting

## Societal outcomes / social bonds



**Affordable housing**

- Low- and moderate-income housing loans
- Transit-oriented development
- Walkable communities
- Mixed-use development projects




**Community and economic development**

- Benefits underserved and/or economically disadvantaged communities
- Services: financial, hospital/medical, and educational
- Urban revitalization: community centers, reconstruction activities
- International development and humanitarian activities: disaster relief, economic aid, and agricultural support



## Environmental outcomes / green bonds



**Renewable energy and climate change**

- New, expanding or existing renewable energy projects (including hydroelectric, solar and wind)
- Smart grid and other projects designed to make power generation and transmission systems more efficient
- Energy efficiency projects resulting in the reduction of greenhouse gas emissions




**Natural resources**

- Sustainability projects: forestry and agriculture; waste management; certified green buildings; blue bonds
- Remediation and redevelopment of polluted or contaminated sites
- Improvement of clean drinking water supplies and/or sewer systems infrastructure

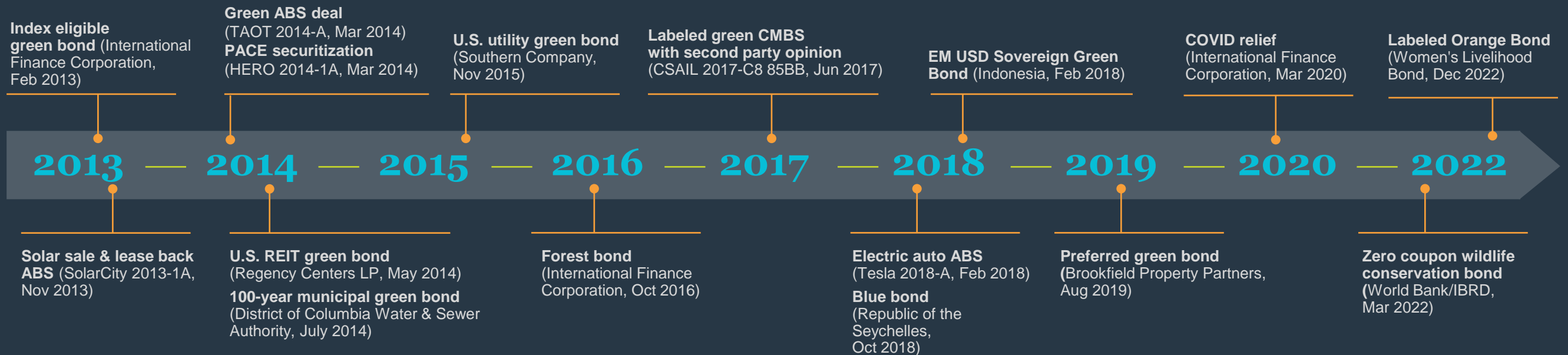


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# Engagement on impact issues

## Proactive engagement with issuers is an important input to our forward-looking credit and ESG analyses

- On-going dialogue with issuers, rating agencies, and industry experts empowers our portfolio managers and analysts to collaborate and influence use of proceeds, impact reporting standards, deal structures, and best-in-class ESG-related business practices
- ESG/Impact strategy team conducted 101 engagement meetings in 2023, in addition to analyst- and RI-led meetings
- Our relationship with issuers and underwriters paves the way for first-of-their-kind environmental and social transactions in public markets, helping to enable subsequent deals to come to market; examples include:



Examples of impact investments made through time are meant for illustrative purposes only and are not a recommendation to buy or sell securities.

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# Our commitment to industry best practices, ESG/Impact advocacy and leadership

## IFC Operating Principles for Impact Management

- Founding signatory and Advisory Board member
- All our impact AUM, including \$7.1B of public fixed income, aligns with the Principles<sup>1</sup>
- Our alignment is independently verified by BlueMark<sup>2</sup>
- ESG/impact fixed income team was named to BlueMark's 2023 Practice Leaderboard,<sup>3</sup> which highlights investors with best-in-class impact management practice

## ICMA Green Bond Principles

- Liberatore was a member of the initial executive committee (and served two terms)
- Liberatore and Zarzycki served on the 2021 Advisory Council

## United Nations

- Liberatore is a member of the United Nations (UN) Capital Development Fund's working group on Climate Insurance linked Resilient Infrastructure Finance
- Liberatore serves on the UN's Joint Sustainable Development Goals (SDG) Fund's Blue Economy Investor Advisory Group

## Select speaking engagements

- SOCAP22
- United Nations Biodiversity Conference (COP15)
- World Economic Forum 2023 (Davos)
- IMF/Caribbean Regional Technical Assistance Centre (CARTAC) conference
- ESG in Fixed Income Americas 2022
- Guest lecturer:
  - Stanford Graduate School of Business
  - Duke University
  - Johns Hopkins University's School of Advanced International Studies

## Additional affiliations

- Founding signatory and steering committee member of the Orange Bond Initiative™
- Standard & Poor's Global Ratings ESG Leadership Council
- Fannie Mae Green Rental Housing Task Force
- Sustainalytics Sustainable Bond Input Group
- Ceres Green Bond Working Group

<sup>1</sup> As of 31 Dec 2022. <https://documents.nuveen.com/Documents/Nuveen/Default.aspx?uniqueId=d41de448-fa00-4682-be45-7fe6cbf1524a>

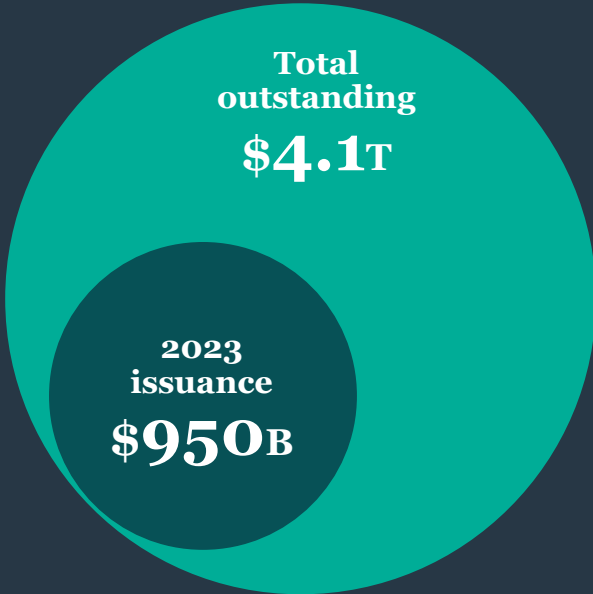
<sup>2</sup> Operating Principles for Impact Management Nuveen Disclosure Statement May 2023 <https://documents.nuveen.com/Documents/Nuveen/Default.aspx?uniqueId=30871a45-2704-4a2e-8d4d-4d76d5ade5ea>

<sup>3</sup> <https://makingthemark.bluemarktideline.com/>

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# Sustainable bond market trends

## Size and growth



## Sustainable bond issuance 2013-2023

(\$ billions)



- Sustainable debt issuance increased by ~8% while the global debt market increased by ~6% in 2023.
- We estimate that 2024 issuance will challenge 2021’s record level, and expect use of proceeds to fund renewable energy projects to remain the largest segment of the labelled GSS market. This is because global energy grids continue to transition away from fossil fuels as the cost of renewables decline.

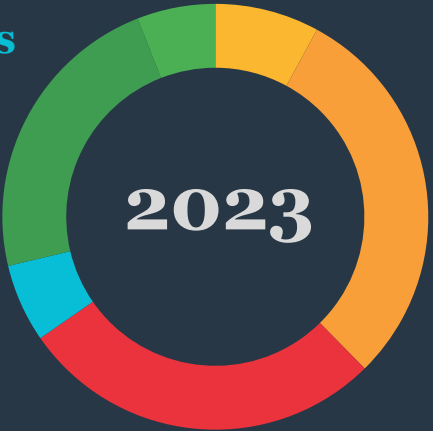
Source: Environmental Finance: <https://www.environmental-finance.com/assets/files/research/sustainable-bonds-insight-2023.pdf>; LSEG.  
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# Issuance summary: calendar year 2023

## Top 10 themes: Use of proceeds issued in 2023<sup>1</sup>

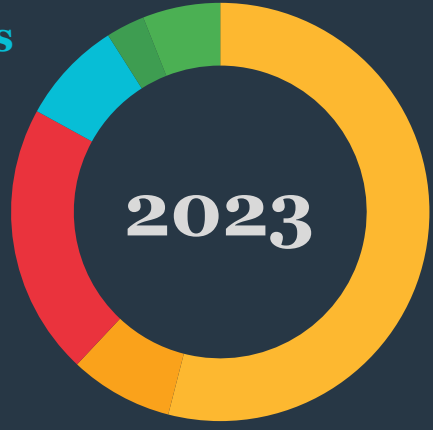
	\$ billions
Renewable energy	146.1
Clean transportation	110.8
Energy efficiency	93.3
Green Buildings	76.6
Affordable housing	67.3
Sustainable water management	47.3
Access to essential services	45.8
Socioeconomic advancement and empowerment	43.0
Pollution prevention and control	37.5
Affordable basic infrastructure	32.8

### Green bonds



% of issuance	
Agency	8
Corporate	30
Financial institution	28
Municipal	6
Sovereign	23
Supranational	6

### Social bonds



% of issuance	
Agency	54
Corporate	8
Financial institution	21
Municipal	8
Sovereign	3
Supranational	6


<sup>1</sup> Environmental Finance may assign multiple use of proceeds to the same deal. For those bonds, we divide the nominal proceeds by the number of assigned uses equally. Source: Environmental Finance.

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# Our commitment to annual impact reporting

Learn more in our 2023 Global fixed income impact report:









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### Measuring impact in public fixed income

Core Impact Bond is an actively managed, fixed income strategy that directs capital to finance positive societal and environmental outcomes.

	Impact metric <sup>1</sup>	Impact for 2022 <sup>2</sup>	Equivalent to:	Amount invested (Millions) as of 31 Dec 2022 <sup>3</sup>
<b>SOCIAL OUTCOMES</b>				
	<b>Affordable housing</b>			
	Number of affordable mortgages guaranteed or provided	2.2 million	Roughly the same number of housing units in Ireland <sup>4</sup>	<b>\$1,093.2</b>
Housing units built or supported including units designated for residents at or below 80% AMI <sup>**</sup>	850,003 units			
	<b>Community and economic development</b>			
	Full-time jobs created	145,572 FTE		<b>\$1,033.9</b>
	Farmers trained	1.7 million		
	<b>Daily riders on public transit</b>	4.3 million	Greater than the population of Los Angeles <sup>5</sup>	
	People who benefited from access to basic products and services	245 million	About three-quarters of the U.S. population <sup>6</sup>	
People benefited from broadband access	33,995			
People reached through community programs	67.3 million	20% the population of the U.S. <sup>3</sup>		
<b>ENVIRONMENTAL OUTCOMES</b>				
	<b>Renewable energy and climate change</b>			
	<b>CO<sub>2</sub>-equivalent emissions avoided</b>	171.4 million metric tons	The emissions from 46 coal-fired power plants in the course of one year <sup>7</sup>	<b>\$2,877.4</b>
	Air pollutants reduced	43,746 metric tons		
	<b>Energy saved</b>	11.2 billion kilowatt hours (kWh)	Equivalent to the carbon sequestered by a forest twice the size of Hawaii in one year <sup>8</sup>	
	Total renewable energy capacity	209,698 MW		
New renewable energy capacity added	21,814 MW	1.6 times the total installed solar capacity of California <sup>9</sup>		
Renewable energy generated	480.6 million MWh annualized	Electricity use in 66.3 million homes in one year <sup>10</sup>		
	<b>Natural resources</b>			
	LEED <sup>***</sup> Gold and Platinum certified buildings	85 buildings <sup>6</sup>		<b>\$2,201.0</b>
	BREEAM <sup>****</sup> Good, Very Good, Excellent, or Outstanding	13 buildings		
	Conserved (Marine) Sq Miles	4,098		
	<b>Land conserved</b>	646,666 acres	More than 3 times the size of NYC <sup>11</sup>	
	Land restored or sustainably managed	372,886 acres	Roughly the size of Sequoia National Park, CA <sup>12</sup>	
	Wastewater treated	5.7 billion gallons/day		
	Waste diverted from landfills	11.3 million metric tons		
	<b>People who benefited from clean water and wastewater projects</b>	46 million	Greater than the population of California <sup>13</sup>	
	Water delivered	2.2 billion gallons/day		
<b>Water saved</b>	908 billion gallons	Average household water use in a year for 8.3 million homes <sup>14</sup>		
Water treated	39.2 billion gallons			

† Total impact AUM was \$7.2 billion and total overall AUM for the strategy was \$16.5 billion as of 31 Dec 2022. Totals may not equal 100% due to rounding. \* See the full reporting methodology on the last page for more information. \*\* AMI stands for Area Median Income. \*\*\* LEED stands for Leadership in Energy and Environmental Design. \*\*\*\* BREEAM stands for Building Research Establishment Environmental Assessment Methodology. Total impact AUM = \$7,206 million.

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