PURPOSE
This document features how Nuveen, the investment manager for TIAA and a long-time impact investor, uses IRIS+ to support its impact measurement and management practice. Specific topics addressed include how Nuveen uses IRIS+ to inform its impact investing theory of change, select metrics, and align with industry standards and frameworks.

AUDIENCE
Impact investors and asset managers. May also be useful to enterprises and intermediaries or service providers working with impact investors.

LEVEL: BEGINNER

REFERENCE
Use this document with

HOW-TO
Using IRIS+ Core Metrics Sets

IRIS METRICS
IRIS Catalog of Metrics
INTRODUCTION

This document illustrates how Nuveen applies IRIS+ to its impact measurement and management practice, describing:

- Nuveen’s private markets impact investing practice, focusing on its affordable housing portfolio,
- Nuveen’s impact measurement and management practice and how IRIS+ adds value, framed by the GIIN’s Core Characteristics of Impact Investing and illustrated along the investment cycle from due diligence to exit, and
- examples of current investments from Nuveen’s affordable housing strategy.

Investor Background

<table>
<thead>
<tr>
<th>Institution Name</th>
<th>Nuveen</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institution Description</td>
<td>Nuveen is the fifteenth largest asset manager in the world, and one of the largest impact investors globally.</td>
</tr>
<tr>
<td>Total AUM:</td>
<td>USD 1.1 trillion (as of December 2019)</td>
</tr>
<tr>
<td>Impact AUM:</td>
<td>USD 1 billion (private market investments) + USD 4.4 billion (public fixed income)</td>
</tr>
</tbody>
</table>

Source: Nuveen Impact investing team.

Impact investing at Nuveen

Nuveen is among the world’s largest impact investors, with more than USD 5 billion across private and public markets impact investments and nearly three decades of market leadership. The firm’s recognition that value extends beyond financial returns stems from the pioneering work of its parent company, TIAA, one of the largest insurance and retirement providers in the United States. TIAA’s client base of educators, healthcare professionals, researchers, and other workers in the non-profit sector has long expressed a desire for their investments to align with their values while also generating a reasonable, risk-adjusted return to support their retirements.

Investing on behalf of the TIAA General Account and soon to be offering these capabilities to other investors, Nuveen’s private markets impact investment portfolio aims to take material steps towards achieving important social and environmental outcomes by investing in solutions that drive efficiency, productivity, and scale in sustainable development for underserved people and the planet. With over USD 1 billion in assets under management, the global portfolio focuses on private equity, private debt and real estate.

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1 Pensions & Investments, 27 May 2019. Rankings based on total worldwide assets as of 31 Dec 2018 reported by each responding asset manager. Investing involves risk. Principal loss is possible. Nuveen provides investment advisory solutions through its investment specialists.
across three impact verticals: inclusive growth (financial services, healthcare, and education), resource efficiency (waste management, energy efficiency, and circular economy), and affordable housing. This use case focuses on Nuveen’s U.S. affordable housing strategy, which represents over USD 350 million in AUM.

Nuveen’s Affordable Housing Portfolio

<table>
<thead>
<tr>
<th>Impact objective</th>
<th>Preserve and provide safe, affordable and sustainable housing for low-income and other underserved individuals and families in the United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>AUM</td>
<td>USD 350 million</td>
</tr>
<tr>
<td>Asset Class</td>
<td>Real estate equity</td>
</tr>
<tr>
<td>Stage</td>
<td>Acquisition equity</td>
</tr>
<tr>
<td>Risk/return profile</td>
<td>Risk-adjusted, market-rate returns</td>
</tr>
<tr>
<td>Term</td>
<td>5-10 years</td>
</tr>
</tbody>
</table>

Nuveen’s Affordable Housing Strategy focuses on preserving and providing safe, affordable, and sustainable housing for low-income and other underserved individuals and families in the United States. The strategy represents over USD 350 million in AUM.

Housing affordability is worsening in the United States, with rent increases that exceed growth in average incomes, government subsidies that fall short of demand, and large numbers of people neither eligible for subsidized housing nor able to afford market-rate housing. Nuveen invests in residential properties for families, seniors, and people with disabilities—via both subsidized and naturally occurring affordable housing. Its investments preserve rent subsidies that can reach as high as 40% per family. The resulting savings help low-income and elderly tenants spend more on food, healthcare, and other essentials. Nuveen’s strategy centers on regulated federal subsidy programs, such as the low-income housing tax credit (LIHTC) program and Section 8 Housing Assistance Payment contracts. Affordable rents are further maintained through operating efficiencies, such as reducing management fees, realizing savings in utility costs through green retrofits, and reducing turnover. Nuveen takes a holistic approach to its impact on underserved communities. For instance, a critical component to improving quality of life for tenants living in their housing investments is to provide supportive services such as tutoring programs and adult education and training.

IMPACT MEASUREMENT AND MANAGEMENT (IMM) AT NUVEEN

Nuveen actively measures and manages for impact, recognizing that outcomes occur over different time horizons. Its practice is predicated on a belief that managing for impact is essential to achieving investment and impact objectives. Nuveen has operationalized this belief by building a dedicated team of impact professionals and a well-defined method to add value beyond invested principal.

Framing IMM within the Core Characteristics of Impact Investing

The Core Characteristics of Impact Investing define the baseline expectations of what it means to practice impact investing. They thereby define impact investing as distinct from other approaches to investing and provide a consensus understanding of which actions will ensure that investments have the highest likelihood of contributing to positive impact. The Core Characteristics involve the following four practices:

1. Intentionally contribute to positive social and environmental impact through investment alongside a financial return
2. Use evidence and impact data in investment design
3. Manage impact performance
4. Contribute to the growth of impact investing

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1 Naturally occurring affordable housing refers to residential rental properties that maintain low rents without federal subsidy. It is the most common affordable housing in the United States.
This section highlights the ways in which Nuveen demonstrates these four Core Characteristics and uses IRIS+ through its IMM practice.

**Core Characteristic #1. Intentionally Contribute to Positive Social and Environmental Impact through Investment alongside a Financial Return.**

Nuveen started investing in affordable housing in the 1990s, well before the concepts of impact investing, impact management or the UN Sustainable Development Goals (SDGs) had surfaced. These early investments seized specific opportunities where affordable housing, coupled with social services, could provide a foundation for low-income individuals and families to lead healthier lives.

Over the years, Nuveen refined its impact intentions by creating a more robust theory of change connecting its investments to its overarching goal, “to create or preserve safe, affordable, and sustainable housing for low-income individuals and families in the United States”. To develop its theory of change, Nuveen identified the challenges it seeks to address, the investment strategy Nuveen could apply, and the specific types of impact it intends to achieve. Through this process, Nuveen’s team recognized that its impact investment strategy for affordable housing encompasses several sub-strategies creating impact across multiple dimensions beyond access to affordable housing, such as access to social services related to financial inclusion, health and education, and building sustainability.

A diagram of Nuveen’s theory of change for their Affordable Housing portfolio is included in Chart 1 below.

**Nuveen’s Affordable Housing Strategy**

**Our goal: Create or preserve safe, affordable and sustainable housing for low-income individuals and families in the U.S.**

**Impact thesis**

**Challenge:** Rental demand in the U.S. is at an all-time high but families are more rent-burdened than ever.

- The number of cost-burdened households in the U.S. is estimated at 39m, more than 10m households spend over 50% of income on housing costs.
- Rent-burdened families underspend on food and healthcare and endure physically inadequate housing and unsafe living conditions. This puts them at greater risk for health problems, developmental delays for children, and safety concerns.

**Nuveen’s approach:** Invest in solutions that create and preserve safe, affordable, and sustainable housing while generating material cash-on-cash and residual returns for investors. These solutions include:

- Regulated or restricted affordable housing based on 40-80% AMI (HUD standards)
- Naturally Occurring Affordable Housing (NOAH)
- Mixed-income housing (affordable, workforce, market-rate)
- Other solutions appropriate for specific underserved or vulnerable populations (e.g., senior, student, military, people with disabilities)

**Impact:** Access to safe, affordable, and sustainable housing reduces the cost burden on households by improving availability of units priced within range for low-income or underserved individuals. This can lead to:

- Improved educational achievement
- Improved community health and well being
- Healthier childhood development
- Reduced rate of homelessness
- Improved environmental sustainability

**Outputs, outcomes and indicators**

**Targeted outputs:**
- Increased availability and accessibility of affordable housing units
- Increased availability of green units
- Increased availability of housing units with access to social services
- Increased availability of housing units close to transit services

**Intended outcomes:**
- Increased residential stability
- Increased resources available after housing payments
- Improvement in housing quality
- Decreased environmental harm

**Investment-level indicators:**
- Number of affordable housing units created or preserved
- Proportion of units at <60% AMI (considered deeply affordable)
- Green improvements and green building certification
- Number of tenants with access to social services
- Average TransitScore (proxy for access to transit services)
- Average differential to market rent (%) as estimation for % household income spent on housing costs during reporting period

**Impact themes & SDG alignment**

- Affordable housing
- Access to basic services
- Community development
- Energy efficiency

**Chart 1: Theory of Change for Nuveen’s Affordable Housing Portfolio**

Nuveen’s first step in using IRIS+ to inform its impact investment thesis was identifying the strategic goals in the IRIS+ Affordable Housing theme that best matched its existing theory of change. The IRIS+ thematic taxonomy is organized by impact category (e.g., Real Estate), impact theme (e.g., Affordable Housing), and common strategic goals (e.g., “Improving Housing Quality”, “Increasing Residential Stability”, “Increasing Access to Supportive Services though Housing”). This classification system enables investors with common impact objectives to use the same framework and key metrics when defining and reporting on their impact, leading to clear clarity, consistent, and comparable data.
For the affordable housing portfolio, Nuveen aligned its impact objectives with IRIS+ strategic goals, as illustrated in Chart 2. IRIS+ also helped Nuveen match intended outputs and outcomes with relevant social and environmental performance metrics from the IRIS+ taxonomy and validated alignment to certain UN SDGs.

<table>
<thead>
<tr>
<th>Nuveen’s impact objectives (Affordable Housing)</th>
<th>IRIS+ strategic goals (Affordable Housing)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access to affordable housing</td>
<td>Increasing housing affordability</td>
</tr>
<tr>
<td></td>
<td>Increasing residential stability</td>
</tr>
<tr>
<td>Access to social services</td>
<td>Increasing access to supportive services through housing</td>
</tr>
<tr>
<td>Access to transit services</td>
<td>Increasing access to supportive services through housing</td>
</tr>
<tr>
<td>Green improvements</td>
<td>Improving housing quality</td>
</tr>
<tr>
<td></td>
<td>Green buildings</td>
</tr>
</tbody>
</table>

Chart 2: Alignment of Nuveen’s impact objectives for Affordable Housing to IRIS+ strategic goals for Affordable Housing

Aligning Nuveen’s impact objectives with IRIS+ strategic goals not only helped to confirm that Nuveen’s objectives were clear, consistent, and comparable, but also unlocked a valuable set of off-the-shelf resources to help them describe and manage their impact.

Core Characteristic #2. Use Evidence and Impact Data in Investment Design.

Nuveen reviewed the evidence base and research in the Affordable Housing theme of IRIS+ to validate its assumptions about how its investment capital could lead to better outcomes for low-income individuals.

“IRIS+ offers a rich evidence base for each strategic goal, which immediately helps us to prove or disprove our own theory of change or that of a prospective investee,” says Allison Spector, Nuveen’s Director of Sustainability. “The research available in IRIS+ is also useful for understanding the scale of the challenge and the potential solution – who is most in need and where do they live – and helps us to estimate our expected impact before we invest.”

Below are two examples of how Nuveen has used the evidence base in IRIS+ to refine their approach:

- Several high-quality studies linked to this theme in IRIS+ confirm that affordable housing is most effective in supporting livelihoods when combined with social services. Based on this evidence, Nuveen now underwrites social services into every deal (if they are not already provided), as these services increase resident satisfaction, lower turnover and are positively correlated with housing stability and overall property performance.

- The evidence base does not currently support a strong linkage between affordable housing and better educational attainment by school-age children, partly because learning outcomes depend on many different variables, only one of which may be housing. That said, even as Nuveen believes there is a relationship between affordable housing and learning outcomes, since the available evidence base does not yet robustly confirm it, Nuveen does not claim to achieve educational outcomes through its affordable housing strategy.

“IRIS+ gives investors the building blocks to develop a robust and credible impact investing thesis that is evidence-based and measurable.” – Allison Spector, Nuveen

3 Before the launch of IRIS+ in May 2019, Nuveen also referred to the Navigating Impact project, the GIIN’s platform for early development of IRIS+ themes.
Core Characteristic #3. Manage Impact Performance

Once Nuveen validated and refined its impact investment thesis using the evidence in IRIS+, the next step was to define how to assess progress towards their target outcomes. To that end, Nuveen compared the impact metrics it was already collecting from its affordable housing investees to the short list of key indicators provided in the IRIS+ Core Metrics Set. This alignment exercise helped Nuveen to confirm what outcomes could be substantiated with their impact data and also make sure that all investees followed a standard method of calculating common indicators so that the resulting data is consistent and comparable.

The table below shows the alignment of 2 of Nuveen’s investments to the IRIS+ Core Metrics Sets for Increasing Residential Stability under the Affordable Housing theme. In the table below, the featured investments are anonymized and displayed as Property A and Property B.

<table>
<thead>
<tr>
<th>Key Indicators in IRIS+ Core Metrics Set</th>
<th>Property A</th>
<th>Property B</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>WHAT is the goal?</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Strategic Goal:</strong> Increasing Residential Stability</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Outcome:</strong> Client Retention Rate (PI9319)</td>
<td>Client Retention Rate is not a key indicator for Nuveen (though tracks this data point separately) since in Section 8 housing retention rates can be high despite housing quality.</td>
<td>Client Retention Rate is not a key indicator for Nuveen (though tracks this data point separately) since in Section 8 housing retention rates can be high despite housing quality.</td>
</tr>
<tr>
<td>Importance of outcome to stakeholder: Importance of Outcome to Stakeholders (OI5495)</td>
<td>Very important</td>
<td>Very important</td>
</tr>
<tr>
<td><strong>WHO is affected?</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Stakeholder type:</strong> Target stakeholders (OD7212)</td>
<td>Target stakeholders are low-income seniors in Brooklyn, New York. 100% of tenants are low-income, earning less than 60% of area median income. Over 50% of tenants are women.</td>
<td>Target stakeholders are low-income families in Baltimore, MD. 100% of tenants are low-income, earning less than 50-60% of area median income.</td>
</tr>
<tr>
<td><strong>Stakeholder characteristics:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Target stakeholder demographics (PD5752)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Target stakeholder socioeconomics (PD2541)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Target stakeholder settings (PD6384)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Target stakeholder geography (PD6424)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>HOW MUCH change is happening?</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Scale:</strong> Number and percent of individuals housed and retained:</td>
<td>Scale: 666 low-income tenants</td>
<td>Scale: 108 low-income tenants</td>
</tr>
<tr>
<td>• Client Individuals: Total (PI4060)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Client Individuals: Active (PI9327)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Client Individuals: New (PI8732)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Depth:</strong> Percent change in client retention rate</td>
<td>As noted above, Nuveen does not consider this to be a key metric, hence it is not used as indicator of depth.</td>
<td>As noted above, Nuveen does not consider this to be a key metric, hence it is not used as indicator of depth.</td>
</tr>
</tbody>
</table>
## Key Indicators in IRIS+ Core Metrics Set

<table>
<thead>
<tr>
<th>HOW is change happening? (<em>not exhaustive</em>)</th>
<th>Property A</th>
<th>Property B</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>HOUSING UNIT DETAILS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Housing Type: Housing Type (PD2532)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percent of housing units improved:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of Housing Units Financed (PI5965) + Number of Housing Units Improved (PI6058)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percent affordable housing: Percent Affordable Housing (PD5833)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Senior affordable housing covered by HUD Section 8 Housing Assistance Contract</td>
<td>558 units preserved</td>
<td>78 units preserved</td>
</tr>
<tr>
<td>100% affordable for tenants earning less than 60% of area median income</td>
<td></td>
<td>100% affordable for tenants earnings less than 50-60% of area median income</td>
</tr>
</tbody>
</table>

| RESIDENT FEEDBACK AND PROTECTION            |            |            |
| Resident feedback system: Client Feedback System (O15049) |            |            |
| Resident engagement: Stakeholder Engagement (O17914) |            |            |
| Social responsibility resident policies: Social Responsibility Client Policies (O17783) |            |            |
| Property employs a social services coordinator and also conducts regular tenant surveys |            | Property employs a social services coordinator and also conducts regular tenant surveys |
| Property employs a social services coordinator | Yes | Property employs a social services coordinator |
| Yes | Yes |

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As seen in Chart 3, Nuveen matched several indicators in the IRIS+ Core Metrics Set for Increasing Residential Stability. It also added some metrics relevant to its impact thesis, such as “Savings on housing unit compared to similar units” and “Community facilities”. At the same time, Nuveen does not adhere to all of the metrics in the selected Core Metrics Set. For example, when it comes to Client Retention Rate, Nuveen has found that turnover rates among clients are consistently low and tend not to fluctuate. Moreover, client retention is not always a good measure of housing quality or resident satisfaction in circumstances where tenants may lose housing subsidies if they relocate. IRIS+ Core Metrics Sets provide the benefits of standardization alongside the flexibility to customize specific indicators that matter most to each investor and investee.

The IRIS+ Core Metric Set allows Nuveen to organize and analyze data for each of its investment properties to make better decisions about its investments. Comparing these data along the same dimensions and standard indicators (Chart 3) improves Nuveen’s understanding of and decision-making about their investments, providing a side-by-side view of two different housing properties. Key insights that can be derived from this approach include:

1. Properties A and B serve different populations with distinct housing needs. Property A serves low-income seniors, while Property B serves low-income families.
2. Property A serves more residents than does Property B.
3. Both properties have supportive social services available to tenants.
4. Residents of both properties significantly benefit from savings on housing: 45% savings for Property A and 32% savings for Property B.
These data support Nuveen’s impact thesis. Nuveen can be confident: (1) that its investments serve populations in need of affordable housing (in both cases, all residents earn less than 60% of the Area Median Income (AMI)); (2) that properties offer both supportive social services and affordability, and (3) that the level of savings is significant (greater than 25%) in both cases. The structure of the Core Metrics Sets helps Nuveen to demonstrate that scale is not the only key element they consider in investment, supporting their perspective that a holistic view is required to understand impact performance. As Allison Spector at Nuveen explains “More is not always better. We prioritize depth and quality over scale as long as the number of units makes sense from an investment perspective”.

It is also important for Nuveen to understand the level of need by affected stakeholders in each investment. Property B, for example, serves low-income families in Baltimore who have great need for affordable housing. So even at smaller scale, Nuveen would still invest in this type of property given the high impact potential.

Viewing data through the IRIS+ structure also highlights questions that are important for managing impact. If due diligence, for example, showed that a property did not offer access to supportive social services, that would signal to Nuveen that it can add value to the investment in this area. The difference in savings on rent also raises interesting questions about the costs of living in different geographies. Finally, the resident feedback system helps to ensure that residents experience the intended impact. Through this system, Nuveen can take findings to communicate with the properties and guide future investment decisions.

Nuveen’s Allison Spector’s notes “IRIS+ helps contextualize the metrics in relevant research and the UN SDGs – to confirm what you can and cannot credibly say with the data that you may have. IRIS+ also provides valuable guidance on how to define or calculate each key indicator, which helps to standardize the way that investees report on the same indicator to enable aggregation across the portfolio. Another valuable aspect of common metrics is that they pave the way towards benchmarks. By collecting data on common metrics, we will be able to compare our performance to industry benchmarks or ratings in the future.”


Nuveen is committed to contributing to the growth of the field. Their use of common approaches, frameworks, and standards for impact measurement and management is one of the ways they help impact investing to grow and improve. Beyond their adherence to the GIIN’s Core Characteristics of Impact Investing, Nuveen also is a founding signatory and advisory board member for the Operating Principles for Impact Management, aligns to the UN SDGs and the Impact Management Project’s Five Dimensions of Impact, and uses IRIS+ for their IMM. Using IRIS+ helped Nuveen to reframe its affordable housing investment thesis according to the Five Dimensions of Impact (What, Who, How Much, Contribution, and Risk). IRIS+ also gave Nuveen confidence in the validity of their strategy’s alignment to certain SDGs.

“It’s a useful starting point to understand out how all of these frameworks interact with each other and it gives us the confidence to know that by using IRIS+ we are aligning with industry standards and best practices.”

Nuveen’s commitment to contribute to the industry’s growth is also demonstrated by their openness to share learnings and standardized data. In 2019, Nuveen shared data on their affordable housing portfolio to contribute to the GIIN’s work on Evaluating Impact Performance – a collaborative effort to create a clear, thorough approach to comparing impact results.
HOW IRIS+ SUPPORTS NUVEEN’S IMM ACROSS THE INVESTMENT CYCLE

Nuveen integrates impact measurement and management across the investment cycle (Chart 4), leveraging the evidence base, Core Metrics Sets, and resources IRIS+ provides. This section illustrates Nuveen’s private markets IMM practice by stage: goal setting, screening and due diligence, portfolio management, measuring and reporting, exit, and disclose and verification.

Impact strategy and goals: Revising expectations

Impact data informs Nuveen’s impact investment strategy and goals, both prior to investing and throughout the investment management process. Besides using IRIS+ and impact performance information to develop or inform an impact thesis, Nuveen also uses these data to assess how it is creating impact across its portfolio over time, helping Nuveen refine its strategy and goals.

Several years ago, for example, Nuveen realized that it faced a trade-off between optimizing its portfolio for access to public transit versus serving rural populations. When Nuveen first started investing in affordable housing, it focused on urban, infill locations that tended to already have good access to public transportation. As its portfolio expanded over the years to serve rural populations, which have poor options for public transportation, the access to transit score for their tenants has fallen (Chart 5). Nuveen used these data to launch an internal discussion about portfolio-level impact trade-offs. The result was Nuveen’s prioritization of preserving affordability for low-income populations across America, even if invested in properties that lack good access to public transit. To manage this trade-off, Nuveen is currently exploring how it can add value as an investor by encouraging or funding alternative transportation services for its more rural locations.

Disclosure & verification
- Annual public disclosure
- Impact management audit
- Validation of reported impact (select investments)

Impact strategy & goals
- Impact theory of change
- Strategic impact objectives
- Impact management at portfolio level

Sourcing & due diligence
- Initial screening
- SDG alignment
- ESG & impact due diligence
- Evidence-based assessment of expected impact

Responsible exit
- Responsible exit strategy
- Responsible exit tracking

Measurement & reporting
- Impact measurement
- Benchmarking & ratings
- Impact reporting to clients
- Analytics and feedback loop

Portfolio management
- KPIs & performance targets
- Monitoring & engagement
- Manage risks & negative effects
- Impact value creation

Chart 4: Nuveen’s Impact Management System

Impact strategy & goals: Revising expectations

Impact data informs Nuveen’s impact investment strategy and goals, both prior to investing and throughout the investment management process. Besides using IRIS+ and impact performance information to develop or inform an impact thesis, Nuveen also uses these data to assess how it is creating impact across its portfolio over time, helping Nuveen refine its strategy and goals.

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4 An infill Location is a real estate development site that exists within a mostly built-out marketplace. Usually located within an urban area, infill locations look to fill the few vacant lots that exist between other developments in the area.

Chart 5: Access to transit scores and geographic diversification in Nuveen’s affordable housing portfolio in the United States (2009-2018)
Sourcing and due diligence

Nuveen conducts rigorous impact due diligence on every investment. This information is discussed by the investment committee and informs the investment decision. Nuveen’s due diligence framework and investment committee memo is based on IRIS+ and the Five Dimensions of Impact. An example for the Shore Hill Senior Community, a recent investment with Jonathan Rose Companies, is included below (Chart 6).

Shore Hill is an affordable senior housing community located in the Bay Ridge area of Brooklyn. The complex includes 558 studio and one-bedroom rental units that are affordable for tenants earning between 50% and 60% of the area median income.

<table>
<thead>
<tr>
<th>SDG alignment:</th>
<th>SDGs 1, 10, 11</th>
</tr>
</thead>
</table>
| WHAT outcomes does the investment relate to and how important are they? | • Investment is positioned to drive significant positive outcomes related to access to affordable housing for underserved and vulnerable populations. The scale of the problem in NYC is substantial.  
• The investment seeks to increase the availability and accessibility of affordable housing units, the availability of green units, and the availability of housing units in close proximity to social services.  
• Investment is expected to yield significant positive outcomes related to:  
  • increased resources available after housing payments;  
  • increased residential stability;  
  • improved housing quality, and;  
  • decreased environmental harm. |
| WHO experiences the impact and how underserved are they in relation to the outcome? | • Low-income tenants will benefit from paying only 30% of their income towards rent; this beneficiary group is considered highly underserved in relation to the availability and accessibility of affordable housing in NYC.  
• Senior citizens will benefit with access to dedicated housing that includes social services targeted at their needs. This beneficiary group is considered highly underserved in relation to the availability and accessibility of senior housing in NYC.  
• Immigrants will benefit, as a large proportion of tenants is expected to be from the immigrant population and there are on-site employment opportunities for immigrant populations.  
• The investment also stands to benefit the environment by making green improvements to improve energy and resource efficiency. |
| HOW significant is the intended impact? | • Scale: Significant, given the large scale of the property (558 units).  
• Depth: Significant, given that all units are affordable at considerable ‘depth’ of affordability (rent equal to no more than 30% of income), will receive green improvements, and will have access to targeted social services (food services, exercise, social options, language services). |
| Investor contribution: | • The investment can be considered ‘high-impact’ compared to what is currently available.  
• There may be an opportunity to add value to the investment by purchasing a parking lot nearby and encourage re-zoning to create additional affordable housing for senior citizens. |
| Impact risk: | Impact risk is deemed low because the property is post-renovation (so avoids construction risk), the co-investment partner has a strong track record, and a non-profit partner provides the social services. |

Chart 6: Example of how Nuveen integrates impact in the investment committee memo during impact due diligence.
Portfolio management

Nuveen is experimenting with using impact data to inform how it manages individual investments and its overall portfolio. For its affordable housing portfolio, Nuveen has piloted an impact rating as part of the Efficient Impact Frontier Collaboration. The rating, which synthesizes various impact data points into a single number to facilitate comparison across investments and benchmarking of portfolios, is based on a scorecard and weighting system developed by Nuveen and derived from the IRIS-aligned outcome indicators described above. Each investment in the portfolio is rated based on performance against these outcomes at the time of investment and in each subsequent year, to enable tracking of progress over time.

Rather than an absolute measure of social and environmental performance, the rating is instead used as a management tool to help Nuveen understand how well an investment fits its theory of change, how impact is diversified within individual investments and across the portfolio, and how impact can be considered alongside financial risk and return. As Allison Spector explains, “It’s still early days, but we hope that the impact rating will help us to engage on a deeper level with our investees, encouraging progress in achieving outcomes while recognizing that impact is nuanced. One investment may perform well across all outcome indicators, and another may outperform on just one or two, and both are okay. Diversification of impact across the portfolio is important to achieving our impact goals and managing impact risk.”

Measurement and reporting

Nuveen measures and reports on the social and environmental performance indicators identified above to demonstrate progress in achieving target outcomes and the UN SDGs. Below is an example of how Nuveen measures and reports on access to affordability for underserved populations over time (Charts 7-9).

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5 AMI stands for Area Median Income. Qualification for affordable housing subsidies in the United States is determined through the AMI formula for a specific geographic area.
Exit

Nuveen considers responsible exits across the entire cycle: before investment (during due diligence) and after investment. For affordable housing, one of the most straightforward ways to ensure mission preservation is to extend a property’s affordability restrictions, with an associated exit to another investor that will benefit from a re-syndication of low-income housing tax credits (LIHTCs). Nuveen holds affordable housing investments for an average of five to ten years, but the extended affordability restrictions last for 20-30 years, well into the hold period for the next investor. By measuring the duration of a property’s restricted affordability, (one of Nuveen’s core affordability indicators), Nuveen can begin to quantify the number of responsible exits it will achieve well into the future and know for precisely how long the mission will be preserved.

Disclosure and verification:

As a founding signatory of the Operating Principles for Impact Management, Nuveen plans to disclose and verify its impact management practices starting in 2020. The IRIS+ system helps Nuveen to ensure it follows best practices and standards for IMM.

REFLECTIONS AND LOOKING AHEAD

Nuveen’s impact investing strategy delivers capital solutions that create tangible and measurable social and environmental impact, as well as risk-adjusted financial returns. As this document shows, IRIS+ has been immensely valuable to Nuveen in its ongoing efforts to develop a robust impact measurement and management practice. Particularly, this value is derived from the evidence-based validation of its impact thesis, selection of key metrics that drive data clarity and comparability, and alignment with best practices and standards, including the UN SDGs, the IMP dimensions of impact, and complying with several of the Operating Principles for Impact Management.

IRIS+ further allows for customization based on multi-dimensional impact strategies while still encouraging consistency and standardization in how impact objectives, outputs, and outcomes are measured and reported.

“Without IRIS+ and its alignment with field-tested standards, norms, and frameworks, impact investors would continue to behave in a fragmented way. Both individual and collective learning would not be possible and would detract from the impact investors’ material contribution to global goals.”

Nuveen’s current experience using IRIS+ as a foundation for measuring and managing impact has been integrated into investment and strategic decisions. This positive experience has inspired Nuveen to continue to learn and improve. Nuveen plans to iterate IMM work by building upon IRIS+ and Nuveen’s pursuit of high-quality impact reflected in impact theses and investment-related decisions. Looking ahead, Nuveen anticipates developing an approach to measuring two additional dimensions of impact included in IRIS+, Contribution and Risk, including potential negative impact. These additional dimensions, will allow for a fuller examination of how Nuveen can best contribute to impact and account for potential risks as it makes investment decisions and designs impact funds.

Allison Spector offers the following advice to other investors: “Be transparent about what you are trying to intentionally achieve, measure it to the best of your abilities, and recognize that impact is multidimensional. ‘This multidimensionality may mean that impact data trends are not always linear as strategies shift. It’s also just as important to be honest and transparent about where impact may not have been achieved as expected, or where an increase in one metric leads to a decrease in another, and learn from that.”