IRIS+ In Practice: Discussion with Nuveen
November 6, 2019

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Agenda

1. Context setting and brief overview of IRIS+
2. Nuveen’s IMM approach and use of IRIS+
3. Q&A with participants
4. Next steps
We aspire to create a world in which social and environmental factors are routinely integrated into investment decisions, as the ‘normal’ way of doing things.
Roadmap for the future of impact investing
Advancing the Roadmap’s category of action #1

1. STRENGTHEN THE IDENTITY OF IMPACT INVESTING

• Core Characteristics of Impact Investing: **WHAT constitutes credible impact investing practice**

• IRIS+: **HOW to implement the Core Characteristics**
GIIN focus: Scaling with integrity

As the market continues to grow, the need for consistent, high-quality IMM practice as the norm becomes imperative.
Comprehensive system to measure, manage, and optimize impact, bringing together:

- Catalog of metrics (5.0)
- Core Metrics Sets (shortlists of key indicators)
- Evidence base and research
- Best in class resources
- Practical how-to implementation guidance

Catalog of generally accepted social and environmental performance metrics (choose your own adventure)

Evolution from the IRIS catalog to the IRIS+ system:

IRIS 1.0: 2009
IRIS 2.0: 2010
IRIS 3.0: 2014
IRIS 4.0: 2016
IRIS+: 2019
IRIS+ is designed to solve key needs in IMM

Consistent implementation of norms and principles

Broad agreement on norms, conventions, values, principles. IRIS+ provides the “how to” to IMM norms and conventions.

Core metrics for clear and comparable data

To get to benchmarkable data, investors require core, standardized metrics to track and compare results. IRIS+ provides Core Metrics Sets for data clarity, consistency, and comparability.

Streamlined best in class resources

200+ tools, resources, and methods claiming to support impact analysis and management. IRIS+ streamlines the best in class resources according to impact themes and goals.
Key features of the IRIS+ system

• Transition **from catalog to system**
• Provides a pathway to **help translate impact goals into results** by providing:
  o **Common way to frame impact goals**
  o **Evidence base and research** - to validate theory of change, anticipate expected impact
  o **Core Metrics Sets** - to measure progress towards goals
  o **Practical guidance and resources** - to help improve IMM practice
• **In alignment with major frameworks** (e.g., SDGs, five dimensions of impact)
• **A public good**, managed by the GIIN
IRIS+ helps investors translate impact intentions into results

1. Define impact goals in a common way
   - Align impact goals to SDGs or impact themes

2. Use evidence and impact data in investment design
   - Review evidence base
   - Explore recommended Core Metrics Sets + tailor them to your needs

3. Manage impact performance
   - Use impact data and IRIS+ guidance to inform decision-making
   - Disclose performance in common way

4. Contribute to the growth of the industry
   - Use shared conventions and tools
   - Share learnings and standardized data needed to drive towards impact benchmarks

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**Taxonomy**

**Evidence base**

**Core Metrics Sets**

**Guidance**

**Evaluating Impact Performance**
Key benefits of using IRIS+

- Communicate with a common language
- Apply industry-wide best practices and conventions
- Reduce the reporting burden
- Increase data clarity and consistency
- Improve decision-making ability
- Pave the way towards benchmarks
Discussion with Nuveen
IRIS+ Use Case
Nuveen’s Affordable Housing Impact Investing Strategy

November 2019

Nuveen Real Assets

Allison Spector, Director, Sustainability
Michelle Zhang, Analyst, Impact Investing
Impact investing at Nuveen

The impact portfolio invests with the dual intention of generating attractive risk-adjusted financial return alongside measurable social and/or environmental outcomes. We focus on three thematic categories to deliver competitive returns and impact at scale:

Technology is a cross-cutting focus across thematic verticals

**Affordable housing**
- 930 million urban families living in inadequate housing in 2012 – this is expected to rise to 440 million by 2025¹
- 11+ million renter households pay at >50% their incomes for housing²

**Inclusive growth**
- 1.7 billion adults remain without banking access of any kind³
- Small- and medium-sized businesses continue to struggle to secure funding from traditional sources³
- Children from the richest 20% of households achieve greater reading proficiency than children from the poorest 20% of households³
- 40% of all countries have <1 physician – and ~50% have <3 nurses or midwives – per 1,000 people³

**Resource efficiency**
- If the global population reaches 9.6 billion by 2050, the equivalent of ~3 planets could be required to sustain current lifestyles³
- Energy use in OECD countries will grow 35% by 2020 despite technological advances promoting energy efficiency gains


US-based real estate equity strategy focused on acquisition and preservation of affordable housing for low and moderate income tenants

Private Equity strategy targeting opportunities centered around “basic services” for low and moderate income and/or underserved groups in primarily growth (emerging/frontier) markets

Private Equity strategy targeting opportunities centered around reducing waste, limiting emissions, and using resources in a circular manner focused primarily in developed markets


FOR USE WITH THE PUBLIC.
Nuveen’s Affordable Housing Portfolio

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 15m households spend over 50% of income on housing costs. 1
- Rent-burdened families spend less on food, healthcare, and endure physically inadequate housing and unsafe living conditions. This puts them at greater risk for health problems, 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: 5
- Improved educational achievement
- Improved community health and wellbeing
- 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

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3 Affordability defined based on LIHTC standards: 40% units ≤60% AMI or 20% units ≤40% AMI.
4 Based on Enterprise Green Communities standards.
5 Evidence base for impact logic model draws from GIIN Navigating Impact, “Affordable Housing.”
Impact management at Nuveen

Managing for impact is the core of what defines us as impact investors and drives financial return.

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

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

Responsible exit
- Responsible exit strategy
- Responsible exit tracking

Measurement & reporting
- Impact measurement
- Benchmarking & ratings
- Impact reporting to clients
- Analytics and feedback loop
1 - Validating an impact investment thesis

IRIS+ gives investors the building blocks to develop a robust and credible impact investing thesis that is evidence-based and measurable.

<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>
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<tr>
<td></td>
<td>Increasing residential stability</td>
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<tr>
<td>Access to social services</td>
<td>Increasing access to supportive services through housing</td>
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<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>

**IRIS+ strategic goals**

- Affordable housing
  - Increasing housing affordability
  - Increasing residential stability
  
- Access to social services
  - Increasing access to supportive services through housing

- Access to transit services
  - Increasing access to supportive services through housing

- Green improvements
  - Improving housing quality
  - Green buildings
2 – Identifying key metrics to measure and manage social & environmental performance

IRIS+ helps investors measure social & environmental performance in a clear, consistent and comparable way so that they can integrate impact data into decision-making.

**IRIS+ Core Metrics Set: Increasing Residential Stability**

- **WHAT**
  - Client Retention Rate (P19319)
  - Importance of Outcome to Stakeholders (015495)
- **WHO**
  - Target Stakeholders (0D7212)
  - Target Stakeholder Demographic (P05752)
  - Target Stakeholder Socioeconomics (P12541)
  - Target Stakeholder Setting (P06384)
  - Target Stakeholder Geography (P6424)
- **HOW**
  - Housing Type (P02532)
  - Percent Affordable Housing (P05833)
  - Eviction Rate (P18303)
  - Client Feedback System (015045)
  - Stakeholder Engagement (017194)
  - Number of Housing Units Financed (P12963)
  - Number of Housing Units Improved (P16658)
- **Additional Metrics**
  - Client Savings Premium (P1T48)
  - Community Facilities Type (P07557)
2 – Identifying key metrics to measure and manage social & environmental performance

IRIS+ helps investors measure social & environmental performance in a clear, consistent and comparable way so that they can integrate impact data into decision-making.

Aligning Nuveen’s core metric set with IRIS+ (Increasing Residential Stability)

**WHAT**
- Client Retention Rate (P19219)
- Importance of Outcome to Stakeholders (P16495)
- Client Individuals Total (P16960)
- Client Individuals Active (P19937)
- Client Individuals New (P19732)
- Client Retention Rate (P19219)

**WHO**
- Target Stakeholders (P07212)
- Target Stakeholder Demographic (P05752)
- Target Stakeholder Socioeconomics (P02541)
- Target Stakeholder Setting (P06384)
- Target Stakeholder Geography (P06424)
- Target Stakeholder Setting (P06384)

**HOW**
- Housing Type (P02522)
- Percent Affordable Housing (P05833)
- Eviction Rate (P19303)
- Client Feedback System (P19504)
- Stakeholder Engagement (P17914)
- Number of Housing Units Financed (P19363)
- Number of Housing Units Improved (P19358)

**Additional Metrics**
- Client Savings Premium (P11748)
- Community Facilities Type (P07557)

Nuveen metrics
- Key metric
- Secondary metric
3 – Aligning with industry standards, frameworks and best practices

IRIS+ helps investors understand how to operationalize industry norms and frameworks within individual impact investment strategies.

<table>
<thead>
<tr>
<th></th>
<th>WHAT</th>
<th>WHO</th>
<th>HOW MUCH</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access to</td>
<td>Strategic alignment</td>
<td>Underserved focus</td>
<td>Depth</td>
</tr>
<tr>
<td>affordable</td>
<td></td>
<td>% very low-income tenants</td>
<td>% deeply affordable (at &lt;60% AMI)</td>
</tr>
<tr>
<td>housing</td>
<td></td>
<td>% senior tenants</td>
<td>Average differential to market rent</td>
</tr>
<tr>
<td>Green</td>
<td></td>
<td></td>
<td>Number of units created or preserved</td>
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<tr>
<td>improvements</td>
<td></td>
<td>% of properties with green improvements</td>
<td></td>
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<tr>
<td>Access to</td>
<td></td>
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<tr>
<td>social services</td>
<td></td>
<td>% of properties with social services</td>
<td></td>
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<tr>
<td>Access to</td>
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<tr>
<td>transit services</td>
<td></td>
<td>Average Transit Score</td>
<td></td>
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<tr>
<td>Economic</td>
<td>Job creation</td>
<td>% female managers</td>
<td>Jobs supported (FTEs)</td>
</tr>
<tr>
<td>opportunity*</td>
<td>Equal opportunities</td>
<td>% ethnic managers</td>
<td></td>
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</tbody>
</table>

*Economic opportunity is an output linked across all investments where possible, but does not drive the overall impact investment for this strategy.
**Example:** We align our investments to the UN SDGs and measure our contributions each year

Our portfolio: by number of investments aligned with the UN SDGs

- **80%** of clients served are low-income
- **25%** average client savings because products and services are more affordable
- **176 million** individuals provided access to basic services
- **45 thousand** tenants provided access to affordable housing
- **1.8 million** MT CO₂e reduced
- **1.8 million** individuals provided access to basic services
- **25%** average client savings because products and services are more affordable

All statistics are measured in 2018 unless otherwise noted.
Shore Hill Senior Community

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 50-60% of area median income.
IRIS+ in due diligence and investment decision

Nuveen’s due diligence framework, which is included in the investment committee memo, is based on IRIS+ and leverages IRIS+ core metrics sets to assess expected impact.

Example: Shore Hill Senior Community investment committee memo

<table>
<thead>
<tr>
<th>SDG alignment:</th>
<th>SDG 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  
  • 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 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 availability and accessibility of senior housing in NYC.  
• Immigrants will benefit, as a large proportion of tenants is expected to draw from the immigrant population + employment opportunities on site for immigrant populations.  
• The investment also stands to benefit the environment (which can be considered ‘underserved’ as well), by making green improvements to improve energy and resource efficiency. |
| HOW significant is the intended impact? | • Scale: Scale of impact is significant, given the large scale of the property (558 units)  
• Depth: Depth of impact is also significant, given that 100% of units are affordable at considerable ‘depth’ of affordability (30% of income), and that all units will receive green improvements, as well as have access to targeted social services (food services, exercise, social options, physical therapy, language services) |
| Investor contribution: | • The investment can be considered ‘high-impact’ compared to what is currently available.  
• There may be an opportunity to purchase a parking lot nearby and encourage rezoning to create additional affordable housing for senior citizens (by selling to a tax credit investor), which would help to amplify Nuveen’s impact and investor contribution beyond the scope of the existing deal. |
| Impact risk: | • Impact risk is deemed low because the property is post-renovation, the co-investment partner has a strong track record, and a non-profit partner provides the social services |
IRIS+ for impact reporting and managing impact at the portfolio level

Nuveen measures and reports on IRIS+ aligned indicators to demonstrate progress in achieving target outcomes and to understand impact at the portfolio level and over time.
Impact data helps us inform our impact investment strategy and goals, both prior to investing and throughout the investment management process.

Access to transit decreases as our portfolio expands outside of metro areas.
Check out our first-ever impact report!
Important information

The views and opinions expressed are for informational and educational purposes only as of the date of production/writing and may change without notice at any time based on factors such as market conditions or legal and regulatory developments. All information has been obtained from sources believed to be reliable, but its accuracy is not guaranteed. This material may contain "forward-looking" information that is not purely historical in nature. Such information may include, among other things, projections, forecasts, estimates of market returns, and proposed or expected portfolio composition. Any changes to assumptions made in preparing this material could have a material impact on the information presented herein. Past performance is no guarantee of future results.

Investing involves risk; principal loss is possible. Real estate investments are subject to various risks, including fluctuations in foreign currency values and property values, higher expenses or lower income than expected, and potential regulatory and environmental problems and liability. This information does not constitute investment research as defined under MiFID.
Next Steps
Next Steps for IRIS+

- **Guidance**: publish practical how-to IMM guidance on key areas of need
- **Webinars**: hold monthly sessions on examples of practice and technical guidance
- **In person workshops**
  - Member-only workshops: hands-on half-day discussions to learn, exchange, and network (next one in London on December 12th)
  - Open workshops: leveraging presence in conferences (e.g., next one at AEA)
- **New themes**
  - Coming soon to IRIS+: Education, Sustainable Forestry, Sustainable Water Management, WASH
  - Starting development soon: Jobs, Climate
### Next Steps: Ongoing development of themes

**Currently available in IRIS+**

<table>
<thead>
<tr>
<th>Theme</th>
<th>Icon</th>
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<tbody>
<tr>
<td>Financial Inclusion</td>
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<tr>
<td>Quality Healthcare</td>
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<tr>
<td>Affordable Housing</td>
<td>![Affordable Housing Icon]</td>
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<td>Energy Access</td>
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<td>Smallholder Agri</td>
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**In development (launch 2019)**

<table>
<thead>
<tr>
<th>Theme</th>
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<tbody>
<tr>
<td>Education</td>
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**In development (launch 2020)**

<table>
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<tr>
<td>WASH</td>
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<td>Climate Mitigation</td>
<td>![Climate Mitigation Icon]</td>
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<tr>
<td>Quality Jobs</td>
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**To be developed (launch 2020 and beyond)**

- Clean Energy
- Sustainable Agri
- Racial Equity
- Pollution
- Waste
- Oceans & Marine
- Biodiversity
- Air
Get involved in the development of future themes

• Email: iris@thegiin.org

• Sign up to the IRIS+ working group and/or development of themes at https://iris.thegiin.org/collaborate/
Questions?

For further information and conversation,
• visit iris.thegiin.org, or
• contact iris@thegiin.org