nuveen
A TIAA Company

As of 31 Jan 2022

Fiduciaries face increased demand for ESG investment options in workplace retirement plans

Environmental, social and governance (ESG) investing is experiencing tremendous growth. Now is the time to have a thoughtful discussion around ESG.

Bloomberg Intelligence forecasts global ESG assets are on track to exceed $53 trillion by 2025, representing more than one-third of the projected total assets under management.[1]

According to the 2021 Responsible Investing (RI) Survey from Nuveen, most investors (79%) ideally want investments that deliver competitive returns while promoting positive social and environmental outcomes. They express widespread interest (89%) in finding ways to invest responsibly without sacrificing financial performance.

Investor attitude towards RI and the workplace.

- It seems RI extends past investing behavior and into attitudes about the workplace. In fact, over three in four investors would prefer to work for employers that are making a positive social (77%) and environmental impact (77%) on the world.
- The majority of investors (59%) would choose to work for an employer based on the availability of having a fully diversified responsible investment retirement plan option
- More than three-fourths (76%) say employers who include RI on their retirement menu care about their employees' retirement outcome
- Most investors (72%) say they'd feel better contributing to a workplace retirement plan when it has RI options, which also improves their feelings (76%) and loyalty (66%) about working for their employer.

ESG vs RI: What's the difference?

***Environmental, social and governance (ESG)** – refers to the factors and issues investors typically consider regarding an organization's sustainable business practices.*

***Responsible investing** – an investment philosophy that incorporates ESG factors into investment analysis, portfolio construction and ongoing monitoring across asset classes with the objective of enhancing long-term performance, managing risk and aligning client values*

Turning the corner

Despite the increased interest among investors and enhancements to product development, ESG investments haven't experienced the same growth within defined contribution (DC) plans, often due to evolving regulatory guidance. The U.S. Department of Labor (DOL)'s most recent guidance is still in proposal form. The DOL proposed ruling, which was released on 13 October 2021, would:

- Remove barriers to plan fiduciaries' ability to consider climate change and other ESG factors when selecting investments and exercising shareholder rights
- Offer clarity that ESG factors are materially financial factors that fiduciaries can and should consider in their role as investment stewards for retirement plan participants.
- Explicitly state that a fiduciary's duty of prudence may require them to evaluate ESG factors in their investment due diligence process
- Allow for the use of ESG factors within a QDIA, assuming the QDIA is financially prudent and meets the other protective standards set forth in QDIA regulation

It is important to note that the DOL's core views on a fiduciary's obligations have not changed and remain consistent across all prior guidance. A fiduciary may not subordinate the interests of participants and beneficiaries in their retirement income or financial benefits under the plan to collateral objectives.

Incorporating relevant ESG factors into investment portfolios can lead to better long-term risk-adjusted returns for Americans who are working to secure their retirements. The on-going dialogue on this rule has been a positive for ESG, pushing the industry to get more sophisticated on how it looks at ESG factors. In fact, even the world's largest DC plan, the Federal Thrift Savings Plan, has announced their plan to offer ESG investment options beginning in 2022.

Next steps

How should you approach adding ESG funds to your plan menu? We suggest the following steps:

1. Research available responsible investing solutions and consider how they may fit within your plan line up.
2. Examine due diligence factors used in the context of responsible investing.
3. Discuss the benefits of adding ESG options to your plan.
4. Leverage industry specialists, like Nuveen, to help guide you through the process.

Responsible investing with Nuveen

At Nuveen, we believe that responsible investing drives better outcomes for investors, our communities and the planet.

Our ESG mutual funds embed Environmental, Social and Governance factors into investment research, due diligence, portfolio construction and ongoing monitoring while seeking to improve long-term performance and reduce risk.

To learn more about including responsible investing options in defined contribution plans, visit Nuveen.com

1 ESG assets may hit $53 trillion by 2025, a third of global AUM. Bloomberg Intelligence. 23 February 2021.

Risks and other important considerations

Responsible investing incorporates Environmental Social Governance (ESG) factors that may affect exposure to issuers, sectors, industries, limiting the type and number of investment opportunities available, which could result in excluding investments that perform well. Investment products may be subject to market and other risk factors. See the applicable product literature, or visit nuveen.com for details.

This information represents the views and opinions of TIAA Investments as of the date of production/writing and may change without notice at any time based on market and/or other conditions and may not come to pass. Investing involves risk: principal loss is possible. There is no assurance that an investment will provide positive performance over any period of time.

Before investing, please advise your clients to carefully consider fund investment objectives, risks, charges and expenses. For this and other information that should be read carefully, please request a prospectus or summary prospectus from your Nuveen Advisor Consultant at 800.752.8700 or visit nuveen.com.

This material is not intended to be a recommendation or investment advice, does not constitute a solicitation to buy or sell securities, and is not provided in a fiduciary capacity. The information provided does not take into account the specific objectives or circumstances of any particular investor, or suggest any specific course of action. Financial professionals should independently evaluate the risks associated with products or services and exercise independent judgment with respect to their clients.

The investment advisory services, strategies and expertise of TIAA Investments, a division of Nuveen, are provided by Teachers Advisors, LLC and TIAA-CREF Investment Management, LLC.

FOR INSTITUTIONAL INVESTOR USE ONLY.
NOT FOR PUBLIC DISTRIBUTION.

35975 MSI-2073758CP-Y0222P