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Gary: Welcome to Sustainable Minds, exploring the interplay of the corporate brand, core beliefs, and ESG. Brought you by Baker. In every episode, we'll investigate how purpose, vision, and values, can guide your company's sustainability actions, behaviors, and mindsets.

Rocket: We'll discuss their impact with the help of ESG-focused guests from around the globe. I'm your host, Rocket.

Gary: I'm your host, Gary. Let's get started. Today we're speaking with Jennifer Grzech. Jennifer's a director and member of the Responsible Investing team at Nuveen, the investment management arm of TIAA. Nuveen's responsible investing team oversees the firm's holistic RI vision and unified framework across Nuveen and TIAA, partnering with internal stakeholders to implement it in day-to-day business activities.

Nuveen's RI framework establishes the firm's overall RI philosophy as well as guidelines for incorporating RI disciplines in investment decisions and new product development. Jennifer's responsibilities include developing Nuveen's strategy of engagement with companies, policymakers, regulators, and industry organizations around important ESG issues and standards. Prior to joining Nuveen in 2019, Jennifer worked in Investor Relations at Brookfield Asset Management, where she led business intelligence strategy, and supported marketing and thought leadership.

She began her financial services career in private equity, where she led the integration of ESG factors and investment processes. Jennifer received her MA in international relations from the University Of Chicago and graduated with her BA and anthropology from the University Of Kentucky, Jennifer, welcome to Sustainable Minds.

Jennifer Grzech: Thank you, Gary. Glad to be here.

Gary: I'm glad to have you. I got a question for you. When you were young, very young, what did you love to do?

Jennifer: I loved reading. I've always escaped into fantasy books, so I read a lot of fiction and I've continued that into my adult life. I was also outdoors a lot. We had a weeping willow. I grew up partially in St. Louis and we had a weeping willow in our backyard. For some reason, that tree ended up being the source of a lot of creative childhood games. You might imagine swinging from vines and tree climbing, but playing make-believe.

Gary: Fantastic. Tell us how you arrived at this career.

Jennifer: It was definitely not a direct path. It's been winding. I think I've always, as a young adult, when I was exploring what I wanted to do in terms of my academic studies, knew that I wanted to be in a field where I could have an impact. I was very idealistic as many of us are when we're 18 and starting undergrad. I chose anthropology because I was very fascinated by culture. My parents were both German teachers at one point in time and had lived abroad. I was fascinated by language, the way that society constructs ideas and traditions, and social norms.

Cultural anthropology was a great fit for me that didn't necessarily translate into the easiest of job opportunities, as you might imagine, outside of academics. When I got my degree in International Relations, I thought that that was a pragmatic way to supplement some of the knowledge that I'd gained in anthropology. I think together those disciplines set me up for success in terms of a lot of qualitative and quantitative analysis. Understanding the world in all of its complexity and figuring out ways to digest and dissect that information. When you study social sciences, that's the core of what you're doing in an academic sense. I started at a private equity firm right out of graduate school.

I had maybe become a little bit disillusioned with some of the public sector work I had done previously and I was trying something new and discovered this area called ESG and really wanted to understand what that meant for investors, for businesses, and was really very thrilled to discover that it was a way to align what's best from a macro perspective, whether it's economically, socially, environmentally, with the corporate best interest. If you can put the money where those two things meet, I think that's a very powerful value proposition for stakeholders and for businesses. I really started to dig in and develop a niche for myself in that space, and understand how I could demonstrate to the internal stakeholders at my private equity firm, how we could truly integrate ESG data into an investment process and view it as value-add rather than this extra silo or something that's politically motivated.

I think a lot of people had preconceived notions about what ESG was and I just felt like it brought together some of the idealism from my younger years and my desire to be pragmatic and find real solutions where I was later. That's what started my interest and expertise and I've been developing it ever since.

Gary: You were a trailblazer and you were as-- I'll use a term Rocket says, you were connecting the dots for people on how ESG would impact business. That's fantastic. What attracted you to Nuveen?

Jennifer: I was approached by Nuveen with this current opportunity almost three years ago now. I was very excited to get back into a solely dedicated ESG-focused role, which was the offer on the table. While I had maintained my finger on the pulse during my time at Brookfield and was part of ESG groups, I wasn't fully dedicated to that work. Nuveen is really a leader. When I started digging in and researching just how expansive all of their efforts were around responsible investing, I was very impressed. I truly got the sense that at the top there was deep buy-in and an understanding of how responsible investing would be a core part of the go-forward strategy at the firm.

That was just a very important part of making the decision to join that team. I think in the three years that I've been with Nuveen, we've made significant progress, even from that position of leadership.

Gary: Well, I'm curious. I have a note here to talk about what are your goals, but your talk about how you've made progress already. Tell us about that progress.

Rocket: That evolution that you've been seeing happening.

Jennifer: I think a lot of it revolves around defining best practices, setting clear standards, and improving the level and sophistication of data. When we get it, how we get it, scaling all of these processes that are so important to make sure that ESG information is finding its way into our investment decision, making it into the way that we engage with our folio companies. I'm sure you've come across this in conversations with other sustainability or ESG experts. Data gaps have long been a huge problem and a major challenge.

A lot of companies just started with, oh, this is a marketing exercise, or this is a branding exercise. They would produce a report that had a lot of narratives, and a lot of qualitative information, but as an investor, I can't translate that into something meaningful in terms of assessing ESG risks and opportunities. I think the evolution of data, and the technology solutions to address data gaps. Thinking about AI, natural language processing that's allowing us to sift through massive amounts of data. All of that has come such a long way.

In my role at Nuveen, we've placed a very strategic focus on stewardship and this is the team that I'm a part of. We engage with portfolio companies across the firm's assets. We are trying to ensure that companies are improving their transparency, are improving their accountability, and are even finding ways that if their objectives fall into the realm of impact, whether it impacts through their business decarbonization objectives, or through their products and services, ensuring that those claims are credible, that they're assured by third parties, that they're meeting standards that have been set in the market. I think that has been a long but worthwhile journey and not without pain.

Gary: I read the Nuveen stewardship report and there was something in there that says, "Our clients expect more than simplistic approaches." I'm curious about the investor perspective on ESG and ESG and the investment process.

Jennifer: I think there's definitely a spectrum, not only sophistication but desires when it comes to overlaying ESG factors in their investment decision-making. I will say that our investors that are most engaged on ESG issues and want to understand how stewardship plays a role in investment management, they're very focused on outcomes. One thing that I helped our team enhance when I joined, was making sure that we were scaling the way we're collecting data, the way we're tracking our activities, and finding ways to quantify all of that across all of the portfolio companies that we're engaging with.

As you might imagine, I'll use climate risk as an example. We might engage an oil and gas company on climate risk management, and board oversight. Are they providing a carbon footprint across scopes 1, 2, and 3? Do they have net zero plans or commitments? Are they science-based? A lot of key performance indicators and expectations that we might be setting out for portfolio companies where we find this to be a financially material issue. We need to be able to track that change over time. I think stewardship and engagement historically has been a little bit nebulous, where an asset manager would say to their investor, "I engaged with this many companies on ESG."

That's not very specific, and it doesn't really demonstrate the true value of engagement if you are trying to outline best practices and drive a company to change. Tracking that change, finding real metrics that we believe are credible. That's been an important part of our process, and how we built the stewardship report was to then be transparent with our investors about the value of engagement with portfolio companies.

Gary: We're going to touch on metrics and frameworks and all that in a minute, but in doing some homework, I read an article from the Harvard Law School forum on corporate governance you co-authored, *Coming to Terms with a Maturing ESG Landscape*. Oh, what's that about? What was the motivation, or what was the need you felt to write this article, I understand that you've co-authored it.

Jennifer: We were really trying to tackle the way that we've seen stewardship, and if I can just define it quickly, the way Nuveen thinks about it. It's the engagement with our folio company, so the public companies that we own. Then also, every year annually, public companies have shareholder meetings, where we have the opportunity as an investor to vote on a ballot of items. They might be proposed by management, or they might be proposed by other shareholders, and that's a really powerful tool to make our voice heard as a shareholder.

Engagement and this proxy voting piece. Again, when you're a responsible investor and you're saying that this is a core part of your investing strategy, stewardship is a key component of that. What we wanted to address with that article was how we've seen shareholder proposals in particular, and stakeholder interest in these issues that the companies evolve over time. We've seen increasingly with the regulatory landscape, and with shareholders, proponents gaining more visibility and more traction on key issues like climate, like diversity and inclusion or racial equity, that they're going even further.

We're transcending the world, first, we just wanted the company to share the information with us. That's a very important first step. I know a lot of people might not think that's the most exciting first step, but we often say you can't manage what you don't measure. If we don't have demographic data on a workforce, or we don't have a carbon footprint from the company, there's no way for us to truly analyze or compare where that company falls. We're starting to get into a world where a lot of companies have greatly improved their transparency and reporting, but now we're in the realm of accountability.

Is the company showing some intention to manage those metrics that they reported on? Are they setting a diversity, equity, and inclusion target or initiative, and how are they measuring success? Are they setting a net zero commitment for their carbon emissions, and how are they measuring success? How are they developing the strategy? Where does the oversight live? These accountability measures are a kind of review and natural follow-on to the core transparency that we've started to see in the market.

We were trying to reflect on that evolution and the fact that we're seeing more calls for accountability, and even getting towards impact where stakeholders across the market are saying, "You set these climate commitments. Where's the progress?"

Gary: In that article, because these are very complicated and confusing topics a lot of times, but there was a little graph in there, where you brought a lot of clarity and you outlined those three key objectives, transparency, accountability, and impact. I thought it was really nice how you just framed that up in that graph, really comprehensive and easy to understand. I think a lot of people in this space have a hard-- not like you, but investors or people have a hard time connecting the dots because there's no regulatory definition or really market standard yet.

That was great. One of the topics was about the divergence between shareholder proposals - you were touching about this - support and the election of directors. Investors seem to be applying greater scrutiny to boards today. Tell us about that divergence that's happening.

Jennifer: Getting back to what I was talking about with the shareholder proposals, we've seen more and more of those shareholder proposals year over year, and SEC changes to guidance have actually impacted that number, particularly this year where we saw an even greater number of shareholder proposals making it on to that annual meeting ballot that I was talking about. Third parties have been primarily scrutinizing whether an asset manager like Nuveen is supporting a shareholder proposal. That's a worthwhile metric to look at.

I think it's important from our view to know that we do case by case. Our entire proxy voting team will review a proposal together and make a decision about whether it's material, whether it's within the scope of the company's power, and whether it's micromanagement in some cases. All of these factors might impact our decision to either support or not support the shareholder proposal that's often related to an environmental or social issue. One thing that we've seen happening is greater attention to not just the support for shareholder proposals, but how environmental and social issues can or should impact Board of Director elections.

Asset managers have the opportunity to vote on whether boards are re-elected. In the past, the analysis that we looked at didn't indicate a great connection between those environmental and social issues that asset managers were saying they were looking at, and director elections. It's an escalation from the shareholder proposal support. It's natural that that wouldn't be your first go-to if a company is being non-responsive on a climate issue, for example. This year, we think we're going to see, first of all, even greater scrutiny of how the asset manager's voting ties to director elections and ties those environmental and social issues.

We also think we're going to see some asset managers start to systematically incorporate something like a lack of oversight or transparency around climate, into a director election decision. It might mean a vote against a director that actually is tied to climate change.

Rocket: How do you perceive possibly the future of proxies changing, as far as including more and more of the non-financial information?

Jennifer: I think we'll continue to see strong levels of shareholder proposals. They're a very important tool to flag vital issues that and the SEC is increasingly tweaking the guidance on which ones make it to the ballot. As that process gets refined, I think it might ebb and flow a little bit, but again, over time, I think we're going to continue to see the elevated number that we've seen in past years and even an increase in the growth.

Gary: Here's a topic I think that is near and dear to you, it's climate risk and transition to net zero. There was an article, *The Pathway to Net Zero* as regulars--

Rocket: Regulators.

Gary: As regulators. Thank you, Rocket. As regulators step in and push for climate disclosure intensifies. There's a lot of stuff in here, but you talked about a really strong impetus for small companies to start addressing the net zero objectives as well. Tell us about that because we work with companies large and small. I'm curious about this thought around smaller companies.

Jennifer: I think that, so the major trend we've seen is it's really with much we've seen in the way of sustainability. The most sophisticated and beautiful reporting comes from the largest companies and they're covering the largest number of issues. That makes sense because they have the resources to do that. I think with the smaller companies, you've had an issue with them having the resources or feeling that there is a barrier to being able to compete with these larger companies who can cover it all, and with larger companies though, starting to set net-zero targets and starting to disclose their carbon footprint, the smaller companies that may be part of their vendor base, they have to cover those in their net zero commitments and in their reporting.

Therefore there starts to become a trickle-down effect where smaller companies will want to increasingly consider whether they're reporting carbon footprint to the needs of their clients and whether they want to set their own net-zero targets to be more attractive and competitive to this evolving client base.

Rocket: What do you feel about-- have you and Nuveen really been able to track that ESG and do more transparency, more accountability, more impact? Has it really been correlated with value creation?

Jennifer: We have a lot of different teams working on this. We actually have a dedicated data scientist who's going factor by factor and trying to see in various investible universes, how some of those ESG data points relate to value creation. The short answer is while we have definitely established a lot of correlation and I think if you look at a lot of publications that are out there in the market, there's an incredible amount showing correlation.

To get through eliminating the confounding variables and doing something as advanced as the regression analysis that's required to separate out, some of that requires more time and more data to fully sift out. We have certainly seen the correlation between ESG factors and mitigated risk for financial performance. I think the risk is actually something that is not talked about often enough. The focus tends to be on total return, but there are a lot of really compelling academic pieces that show during periods of volatility or financial distress, that companies that exhibit better ESG management are offering downside protection in those periods.

Gary: When I talk to companies, I'm curious, are they doing this from a risk mitigation issue, or do they truly want to create value in certain areas? You talk about products and services that generate impact and I think that falls into this value creation area. It's part of our purpose to create this kind of products and service that generates impact. Tell us a little about what you have seen and what you have experienced and how that impacts a business.

Jennifer: We're increasingly seeing companies lean into not only sustainability or ESG from that risk mitigation lens but also the positive trends around sustainability, whether it's on the consumer demand side or the technological innovations that might support new products or services. Companies are increasingly leaning into this massive trend. That really is, climate, in particular, requires a massive economic transformation, and that transformation is starting to reach critical mass. Consumer demand is starting to reach critical mass as well. Where consumers increasingly have the tools to assess whether a company claiming a product or service is quote-unquote 'sustainable or impactful' or avoids carbon emissions.

There are more and more tools for the consumer to track that information, or to determine if that company is being credible, or that product meets its stated objective. With all of that information, we think it's been, the opportunity has been more clear for companies. Leaning into those products and services that are facilitating energy efficiency, or that are eliminating or reducing carbon emissions in the supply chain of a product that ends up in the hands of a customer. Those are really important avenues for revenue and growth and we see companies recognizing that.

Gary: I've seen new companies and they are structuring a business model around sustainability and using the lens of ESG and right from the get-go, they are building a business model with those intentions. Influencing business going forward for so many and it's such a huge, critical issue. One of the things that we talk about in corporate branding, kind of interested in, I talk about, or we help companies find the real purpose. I want to talk about greenwashing in a minute, and there's a lot of purpose washing out there, but what's the real purpose?

Why do they exist? What would the world miss if they didn't exist? What do they believe in? What are their core beliefs? For beliefs and then the actions and behaviors and decisions that come off of those beliefs. Do you see very many, what I would call or could be called purpose-driven companies and companies that are really living their core beliefs? Is there any difference between those companies? Are those kinds of companies obvious to you or apparent to you?

Jennifer: I think that's a big question that we have when we go to a portfolio company and we want to engage with them, particularly if they're claiming that their purpose, that sustainability in particular is built into their purpose, or that they're trying to achieve impact in some way. Stewardship is, in my view, and I'm sure I'm biased because I'm part of the stewardship team, a very useful tool for us in assessing credibility or asking for more in terms of credibility. It's one thing to say, something's your purpose and it's another thing to prove it. That's what I was alluding to, with some of the new tools to actually measure and benchmark these companies on what they say they're doing.

We often talk about the hallmarks of credibility. Often that comes down to whether there are indicators of accountability for whatever the purpose is stated as. Is it built into the business strategy or it's a standalone silo? Is it a marketing or brand exercise, or is it truly finding its way into board discussions, and executive leadership discussions? Are there dedicated resources for whatever the company is saying it's doing? All of those things can be indicators to us of greenwashing or not greenwashing, and true purpose versus again, something that is more superficial.

Gary: I see too much purpose washing out there. People create these manufactured jargony meaningless statements. When you read these things and you don't see any proof anywhere where this thing is really pulled through the company. We have some clients that truly live their purpose and it's interesting.

Some of these clients are 100 years old and the founder had a real purpose, the reason why they founded these companies. One's in your neck of the woods, Booz Allen Hamilton, we work with. I go to many websites and read their purpose and I go really? I at first blush and I try to see how they pull that through and the credibility of that. I like your term hallmarks of credibility.

Jennifer: We like to look under the hood.

Gary: Yes. Well, here's one for you. I have a slide I use and I talk about top-performing organizations. "In top performing organization, leaders are the strongest drivers of values and behaviors." My slide has that leaders drive values. Values drive behaviors. Behaviors drive culture. Culture drives performance. Looking under the hood, wanting to understand what this culture is about, because if you can diagnose or understand that culture, that may give you some insights into what makes this company tick.

Jennifer: Right. I think something we definitely look at is you say you're doing this. How do you measure success? Even with culture, I think sometimes the argument or these social issues. Sometimes the argument is, well, that's really hard to measure. I say just try and I guarantee you're going to be able to find a way. I studied social sciences, going back to the early part of our conversation. I think there are very creative ways that companies have found to measure social factors or factors that were previously in this bucket of, "Oh, that's just qualitative. We can't really define that."

We're finding new ways to add definitions and to figure out how to measure success on some of these hazy concepts of culture. Do you have an employee engagement survey that could reflect whether your culture is truly trickling down and represented or felt by your employee base? I think there are new tools and innovative ways to get at defining some of this.

Gary: I like that. That's great. I'm going to go back to something that we were talking about. We often talk to younger companies that want to get into this, want to start thinking about sustainability and ESG, and have a couple of questions around that. What advice would you give them and what are the top three things they should think about and do when they're starting to just enter this world?

Jennifer: I think a really important exercise is looking for the least common denominators. What data points or issues are relevant to your business, that your customers care about, that your stakeholders care about, and also what's the regulatory overlay? Let's not forget that, but address some of those least common denominators first and foremost, in setting a priority. I think very obviously starting to tackle carbon footprint, that's just becoming a core non-financial metric that is expected across the market increasingly.

Depending on your geography, there could be even more pressure. The least common denominators, I would say, figuring out scale and systems of measurement, again, to support what we're talking about, which is you don't want your claims to outpace your actions and what you're truly doing. Building some of that foundational infrastructure to support some of those conversations around whether it's purpose or sustainability. There are so many tools available now in the market that are easing the burden and the time required to do some of these things.

It doesn't necessarily have to be, oh, we have to hire a consultant and spend a bunch of money on a consultant. I think there are steps that can be taken before you get to that stage. Those are important ones and using resources, some of them even free. There are numerous free carbon footprinting resources out there now that are credible, that align with the GHG protocol.

I think exploring options there and understanding that the world and the data around this have truly exploded. Not living in the past and understanding what's available now to facilitate objectives that a company might have, even if they're limited on resources.

Rocket: I think one of the things that you had mentioned before about the trickling down from some of the larger companies that establish and have the money to really go deep in bringing ESG into the strategy and into the business practices and into the business model per se. That those of making sure that their vendors are behaving in ways congruent with their own standards. That's where the rubber really hits the road.

Now I remember 10 years ago, even more than 10 years ago when we went to be interviewed to do the Walmart Annual Report and there was talk back then of them actually requiring vendors to put a carbon footprint on the packaging of the products they were selling in the store. I turned to Gary and I said, "Wow if they did that, that would really change the game as far as putting pressure."

It was so long ago that it was completely unrealistic and we weren't there yet, but that could be in foreseeable future. Now I feel within the short-term future, that kind of move by big companies could really make everybody play catch up just so that they could sell their products.

Gary: Let me add to that. That was 10 years ago. It was actually a lot more.

Rocket: A lot more than 10 years ago. Might have been 15.

Gary: That was 10 years ago. Jennifer, let's talk about 10 years forward from today, or 5 years. 10 or 5 years forward. What does this world of sustainable investing and sustainability and ESG? Where is it at? What does it look like in the future?

Jennifer: My hope is that it is much more ingrained in the normal course of both business and financial services and investing. I really see a lot of parallels even though I wasn't part of the industry at the time, with the way financial accounting standards evolve. I think we're very much in a growing pains stage. There are a lot of headwinds. A lot of people are saying ESG does too much and it's activist, or ESG does too little and it services no purpose.

The reality is much more complex than either of those black-and-white views of ESG and sustainability and finance and business. I hope that 5, 10 years from now, we have regulation that helps make some of these issues more clear, and that cuts down on greenwashing. I hope that we're starting to see true transformation towards a low carbon economy, not just the transparency and accountability that we're currently starting to see on climate risk, but actual business decarbonization.

I hope we'll see the public infrastructure and spending necessary to make some of those transformations happen. Again, my hope is that many of these things will become institutionalized and the methodologies and processes will just continue to improve and become better.

Gary: Fantastic. I'm going to wrap it up but I want to ask you, is there anything that I left out that's near and dear to your heart that I didn't bring up today?

Jennifer: I think we covered a wealth of topics honestly, and they're big ones.

Gary: Very big and by the way, thank you for your time. Great job. If this was your first podcast. Fantastic. Great job.

Rocket: I just wanted to say one thing on the tail of what you were talking about before. I read an article and I posted it just a few days ago, asking people what they were thinking about it, because it was a Harvard Business Review Article that was called *ESG Investing Isn't Designed To Save The Planet*.

It was controversial in the sense that they were bringing up the fact that in the beginning, ESG investing was really just a new category and a way for asset management to charge higher fees because so many of the funds had become such commodities that they weren't really getting those margins anymore. But then it went on to say, we've gone down this path now and there are important existential threats so they're glad that it happened. My point was I don't really care how it started.

It's taken a life of its own. I feel like at this point, it's becoming very real to make change for the good. I was wondering how you feel that the author of this article was arguing that it could mistakenly make policymakers feel complacent like the market's going to figure it all out for us. You had just said that the amount of investment and stuff, it is going to take the partnership between business and government.

Which one comes first and would we have the government start to regulate these things and be able to put money up and into these things if we hadn't created this wave of pressure that is being adopted? I don't know. I just wondered how you felt about that.

Jennifer: I think that argument before about fees and it's what I was referring to when I said there are people who say it's doing too little, that it's misguided or, again, that it's servicing an alternative purpose. I will say I am surrounded by a wealth of very dedicated people who work for these asset managers who are trying to make sure that ESG, even impact investing, which is its own category, that these things are being done credibly. That we're continuing to improve and evolve, and we're being transparent to the investors about what this strategy does or that strategy does.

I'm not saying there aren't problems in the industry that need to be addressed. There is the regulation happening in the EU and the US to try to suss out some of these problems of definition, to make sure that funds are doing what they said they were doing, that it's not just an exercise and driving up a fee. I think as well, an important part of what we do at Nuveen is actually policy engagement and Industry Market engagement, and that falls under the purview of not only my team, but people across Nuveen and our parent, TIAA, that enterprise, where we're engaging with the SEC and the DOL when they're making rules that would impact ESG focused strategies, that would impact the way that we vote proxies.

We're trying to make our voice heard around the transparency and standards that we believe need to be there and be mandated by policymakers and regulators. We can't solve it all on our own and that's what you're getting at.

Rocket: It takes a village.

Jennifer: Really the public infrastructure is so vital and that's why we have these very active dialogues on the policy side because it is so important to driving some of these things forward.

Rocket: I believe that that's why it gets there. That the increased involvement and pressure and discussion with policymakers is what's going to make it happen, both on the business side and the government side. I am optimistic that the partnership can make it happen and can address some of these really difficult existential questions that are up for humanity.

Jennifer: Right.

Rocket: Yes, I hope so.

Jennifer: [unintelligible 00:42:07] systemic risk.

Rocket: And being alive.

Gary: Thank you.

Rocket: Thank you, Jennifer. Bye-bye.

[music]

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Gary: It helps others discover this show, and of course, we want more listeners. If you want to find out more about how we can help you evolve your corporate brand, culture, and ESG, head to bakerbrand.com.

Rocket: See you on the next episode of Sustainable Minds, exploring the interplay of the corporate brand, core beliefs, and ESG.