
DECEMBER 16, 2024

**AGENDA ITEM 10
INFORMATION ITEM**

SCHOLARSHARE INVESTMENT BOARD

Review of ScholarShare 529 Environmental, Social and Governance (ESG) Investments

Background

ScholarShare 529 (Plan) currently offers various portfolios that allocate investments to underlying funds that consider certain environmental, social, and governance (ESG) criteria in connection with the investments. The Plan's ESG portfolios include enrollment year portfolios and single-fund portfolios.

At the October 22, 2024 ScholarShare Investment Board (SIB or Board) meeting, comments were received, along with discussion, around the Plan's ESG portfolios. As a follow-up, SIB staff has included this agenda item to provide the Board with additional information on the Plan's ESG portfolios. TIAA-CREF Tuition Financing, Inc. (TFI) has provided its "ScholarShare Review of ESG Portfolios" presentation, which provides background and an overview of the Plan's ESG portfolios, highlights on the team and processes at Nuveen, strategies of each underlying fund, and portfolio asset allocation, as well as details about Nuveen's ESG guidelines, components, and considerations. SIB's investment consultant, Meketa Investment Group, Inc. (Meketa), will also provide brief commentary on ESG investments.

In addition, as an update, SIB staff, Meketa, and TFI, recently met with some of the parties who provided comments during the October Board meeting to provide additional background on the Board and Plan, including an overview of the Plan's ESG lineup, related roles and responsibilities, procedures, and considerations related to the Plan's investment line-up.

Presenters

Jeremy Thiessen, Senior Director, Institutional Investment Strategist,
TIAA-CREF Tuition Financing, Inc.

Jordan Jones, Investment Analyst, TIAA-CREF Tuition Financing, Inc.

Kay Ceserani, Managing Principal / Consultant, Meketa Investment Group, Inc.

Aysun Kilic, Managing Principal / Consultant, Meketa Investment Group, Inc.

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Scholarshare Review of ESG Portfolios

Q3 2024



Scholarshare Review of ESG Portfolios

- ESG (Environmental, Social, and Governance) options have been a part of the Scholarshare Program since November 2011
- Initially, the Nuveen Large Cap Responsible Equity Fund (formerly known as the TIAA-CREF Social Choice Equity Fund) was the primary option for participants
- In February 2022, the ESG options were expanded to include a full glide-path portfolio using the Enrollment Based structure, and three single-fund options
- All options are built using five different underlying mutual funds and/or ETFs across the major asset classes

Scholarshare Review of ESG Portfolios

Responsible Investing at Nuveen

- 50+ Responsible Investing Strategies Across Asset Classes¹
- 75+ Dedicated RI Specialists²
- \$83.8B AUM in RI Strategies²
- \$27.6B AUM in Impact Strategies²

Portfolio construction differs across the equity and fixed income ESG products

High level overview (see Appendix for additional details):

1. Carbon Overlay
2. Establish the Eligible Universe
3. Portfolio Construction
4. Risk Management

¹ Nuveen's responsible investing team activities (which is inclusive of TIAA's responsible investing team) began responsible investing initiatives in 1990 while they were under TIAA. TIAA began responsible investing initiatives in 1970 with proxy voting to deal with shareholder proposals on social issues. Statements regarding Nuveen's history include TIAA's history. ² Nuveen, 30 Jun 2024; Impact strategies may have a varying mix of impact, ESG leaders, and traditional securities. ³ Principles for Responsible Investment (PRI), 2023 Assessment Report for Nuveen, December 2022. UN PRI signatories report on their responsible investment activities annually by using the PRI's Reporting Framework, which is comprised of 13 modules. Asset managers that report on their responsible investment activities through the PRI's Reporting Framework receive an Assessment Report, which provides a raw score (0-100) and a corresponding 'star score' on each of the modules. A five-star grade is the highest possible score, awarded to those signatories that demonstrate leading practices within the responsible investment industry. The one-star grade is allocated to those whose responsible investment practices are at the lower end of the scale, including those that do not incorporate ESG factors in their investment decisions. Publicly disclosing module raw scores or star scores is at the manager's discretion. According to the PRI, disclosing scores is a public demonstration of a firm's commitment to including environmental, social, and governance (ESG) factors in investment decision making and ownership. The full methodology is publicly available on the <https://www.unpri.org/reporting-and-assessment/how-investors-are-assessed-on-their-reporting/3066.article> - ⁴ Morningstar, 2022. ⁵ TIAA commitment which encompasses Nuveen/Nuveen affiliates. ⁶ Nuveen is signatory.



Scholarshare Review of ESG Portfolios

	Nuveen Large Cap Responsible Fund	Nuveen Responsible International Equity Fund	Nuveen ESG Emerging Markets Equity ETF	Nuveen ESG US Aggregate Bond Fund	Nuveen ESG High Yield Corporate Bond ETF
Ticker	TISCX	TSONX	NUEM	NUBD	NUHY
Strategy Overview	<ul style="list-style-type: none"> Seeks to replicate the S&P 500 returns by building an optimized portfolio from eligible securities screened by third party research (i.e.MSCI ESG Research) Low carbon overlay: an additional focus on companies' current and future emissions, aiming for a 50% lower carbon footprint than the S&P 500. 	<ul style="list-style-type: none"> Tracks the MSCI EAFE Index with ESG-focused international developed market exposure, optimizing sector risk and maintaining benchmark alignment. 	<ul style="list-style-type: none"> Offers exposure to emerging market equities with strong ESG leadership, excluding high-risk sectors, and targeting sustainable growth potential in high-growth regions. 	<ul style="list-style-type: none"> Provides diversified U.S. investment-grade bond exposure with ESG screening, balancing broad fixed-income income opportunities with sustainability. 	<ul style="list-style-type: none"> Invests in high-yield corporate bonds with favorable ESG profiles, balancing higher income potential while avoiding high-risk ESG violators.

Scholarshare Review of ESG Portfolios

ESG Enrollment Year Portfolios	Annual Asset Based Fees (bp)*	Nuveen Large Cap Responsible Equity Fund	Nuveen Responsible International Equity Fund	Nuveen ESG Emerging Markets Equity ETF	Nuveen ESG US Aggregate Bond ETF	Nuveen ESG High Yield Corporate Bond ETF	TIAA-CREF Life Funding Agreement
Underlying Fund Expenses (bp)		18	34	36	16	31	N/A
2040-2041	27	56.00%	19.20%	4.80%	18.00%	2.00%	0.00%
2038-2039	27	56.00%	19.20%	4.80%	18.00%	2.00%	0.00%
2036-2037	27	53.30%	18.10%	4.60%	21.60%	2.40%	0.00%
2034-2035	26	50.40%	17.30%	4.30%	25.20%	2.80%	0.00%
2032-2033	26	47.70%	16.30%	4.00%	28.80%	3.20%	0.00%
2030-2031	26	42.00%	14.40%	3.60%	36.00%	4.00%	0.00%
2028-2029	25	33.60%	11.50%	2.90%	46.80%	5.20%	0.00%
2026-2027	23	25.20%	8.60%	2.20%	48.60%	5.40%	10.00%
2024-2025	18	17.50%	6.00%	1.50%	36.00%	4.00%	35.00%
Enrollment	15	10.50%	3.60%	0.90%	31.50%	3.50%	50.00%

Glide Path asset allocations are as reflected in the Plan Description.

ESG Single Fund Investment Portfolios	Annual Asset Based Fees (bp)*	Percent Allocation	Underlying Fund
Large Cap Responsible Equity Portfolio	23	100.00%	Nuveen Large Cap Responsible Equity Fund
ESG International Equity Portfolio	39	100.00%	Nuveen Responsible International Equity Fund
ESG Bond Portfolio	21	100.00%	Nuveen ESG US Aggregate Bond ETF

* Returns are net of most recent weighted average Underlying Fund Fees, Program Management Fees and State Administrative Fees (5 bps).

Appendix

Implementing Nuveen ESG guidelines

Nuveen partners with MSCI, a leading global ESG research provider, to determine eligibility for the strategy based on ESG and carbon criteria

- Seeks to include companies that are leaders in their respective sectors on environmental, social, and governance (ESG) performance.
- ESG performance should reflect a company's positive and negative impacts on their key stakeholders' employees, communities, customers, suppliers and the environment.
- Believes that performance evaluations should be based on the ESG factors most relevant to the industry the company operates in, while also reflecting a company's adherence to international norms and conventions.
- Criteria includes an additional focus on companies' current and future carbon emissions.

Curated eligible investment universe

- The output of this evaluation process offers a universe of securities with higher ESG performance quality, alongside a significantly lower carbon footprint, than its benchmark.

ESG & low carbon criteria considerations

Comprehensive baseline ESG criteria

- Evaluate companies using comprehensive ESG criteria
- Seeks leaders within their respective sectors on ESG performance



Significantly higher ESG performance quality than the benchmark

Current CO2 emissions

- Analyze absolute carbon emissions and carbon intensity per dollar of sales
- Favors companies that are limited in their exposure to current carbon emissions



Significantly lower carbon footprint than the benchmark

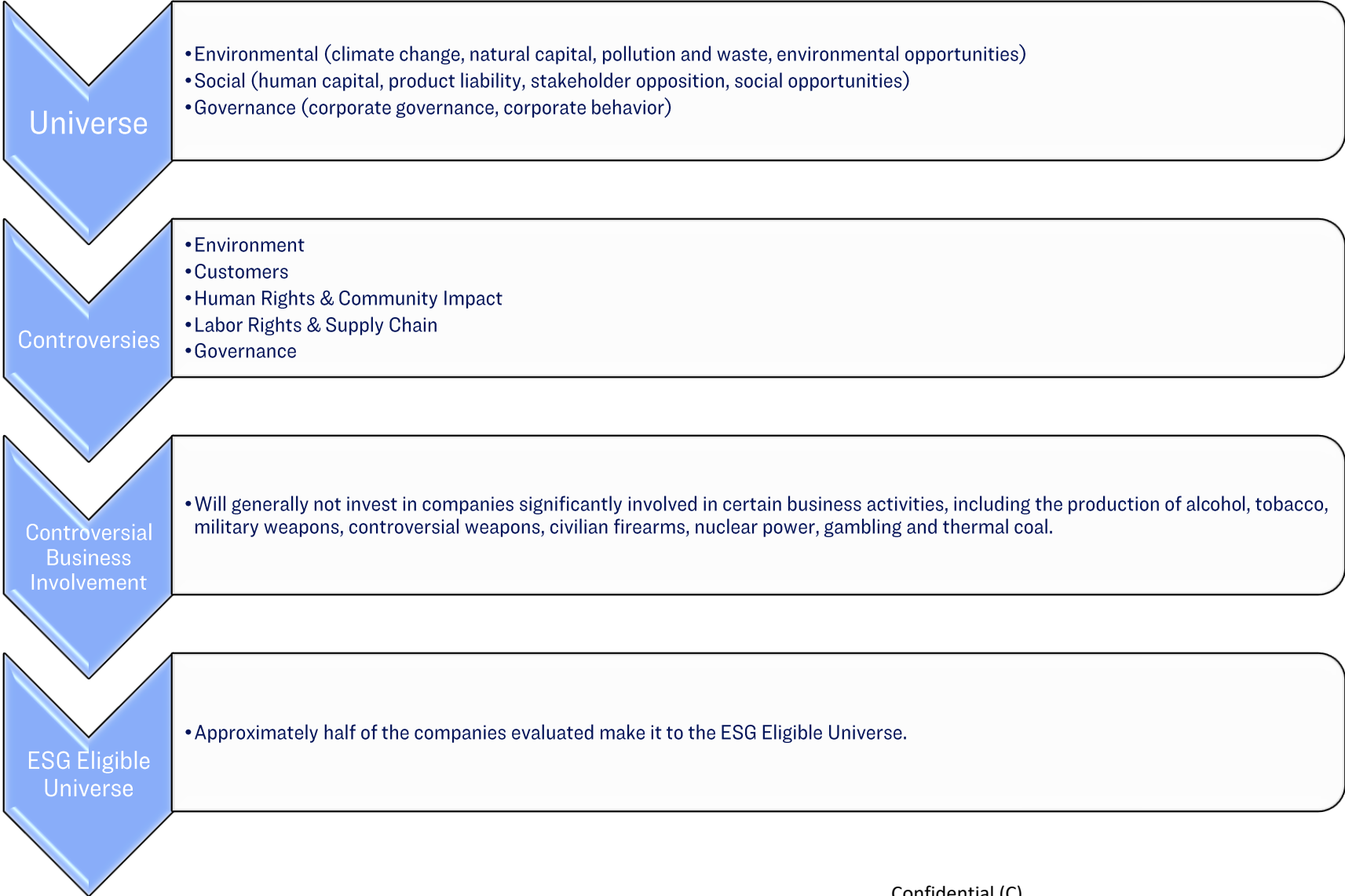
Future CO2 emissions

- Assess companies for future carbon emissions potential
- Favors companies that do not have exposure to fossil fuel reserves (i.e. coal, oil or natural gas)



Excludes companies that display evidence of owning fossil fuel reserves

Establish the Eligible Universe



- **Comprehensively** assesses ESG performance annually for companies in all industries
- **ESG performance** assessment examines companies' exposure to ESG-related risks and opportunities and focuses on those likely to have a material impact
- **Incorporates** companies' exposure to ESG-related controversies and involvement in certain controversial business activity
- **Leverages** a research process that is built upon diverse sources and the input of multiple stakeholders
- **Includes** climate change-related criteria, such as carbon reduction goals, as part of the initial ESG evaluation process
- **Results** in a universe with significantly higher ESG performance than the benchmark

