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ESG REPORT

Transforming  
How We  
Connect



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Our impact on the world is driven by what our products enable. In this report, we share the progress we have made on our sustainability journey, including the development of our sustainability strategy, policies and programs to date.



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# A message from the CEO

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At Nuance, we spend our days thinking, innovating, building, and deploying Conversational AI solutions in service of others.

We provide technology that removes administrative burdens for a doctor so she can spend more time with her patient, security and biometrics applications that detect and protect customers against fraudsters, and integrated and customized intelligent engagement experiences that enhance the way people digitally interact with their favorite brands.

While we are a technology company, everything we do is centered around helping people be more and do more. This passion and commitment is reflected in our Purpose statement and the Value set that underpins it as we fundamentally believe that, collectively, Intelligence Makes Us More. We know that we cannot build the best Conversational AI technology that solves complex problems for people around the world working in the largest industries if we, ourselves, are not operating with the best interests of our global employees, customers, communities, and planet in mind.



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When we embrace our collective intelligence, we can build things that impact us all for the better. Our mission is to be a brand that drives positive change in the world.

That is why this report is so important. We believe it is our responsibility, as global citizens and technology leaders, to be accountable for helping to support our communities and drive meaningful change – socially, economically, and environmentally. Our 2020 ESG Report outlines a number of actions we have taken to create a supportive, ethical and equitable culture for our employees, invest in and care for our communities, ensure our customers' products and data are secure, increase our engagement and alignment with our shareholders, reduce our carbon footprint, and support our customers both in normal times and amidst a global pandemic.

This report is not meant to be a checklist of accomplishments, rather an overview of the strong foundation on which we will continue to build. The Nuance Executive Team and I, along with our Board of Directors, are committed to upholding the highest ethical and social standards and will advance and expand these initiatives as they are an important reflection of the way we conduct business and care for our people, our communities, our customers, our shareholders, and our planet.



Mark Benjamin, CEO



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Our products leverage decades of innovation in speech, natural language and conversational AI to build meaningful technology. Our economic success is a direct reflection of our holistic approach to innovation, which combines financial performance with positive change in the world.

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# About Nuance

At Nuance, we are reinventing how people connect with technology and each other through AI solutions that are more intelligent and intuitive.

As a pioneer and leader in AI innovations, we bring intelligence to everyday work and life with software and cloud-based solutions that understand, analyze, and respond to human language to increase productivity and amplify human intelligence.

Every day, millions of people and thousands of businesses experience how Nuance's products transform the way we interact with information and technology. In our Healthcare business, we help doctors spend more time with patients and less on paperwork with our clinical documentation solutions that capture information efficiently, enable better decision making in clinical settings, and facilitate accurate reimbursement. In our Enterprise business, our automated customer engagement technology helps companies and their customers interact seamlessly with each other in a variety of sectors such as financial services, telecommunications, government, and retail.



Everything we do at Nuance is guided by our Purpose and Values. They are embedded in how we work, how we interact with customers, how we recruit and develop our employees, and how we engage with the communities in which we live and work. Our Purpose - *Intelligence Makes Us More* - is our north star and defines why we do what we do.

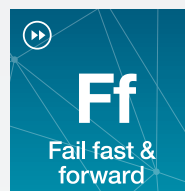
Intelligence is first and foremost what we make. It is also the logic, understanding, learning, and awareness that allow us to spur progress, advance humanity, and invent more impactful things every day. Us means everyone at Nuance and beyond, including our customers and their customers. Our collective intelligence allows us to not only do more, but to be more.

Our **Values** are the foundation of our culture and capture how we strive to do business every day.



**We use our powers for good.**

We operate with uncompromising integrity, ethics, responsibility, consideration, transparency, honesty, and an unwavering commitment to diversity and inclusion.



**We own mistakes and move forward with resilience.**

Errors happen: It's how we respond that matters. We learn from failure, recovering quickly to try again better, smarter, and stronger.



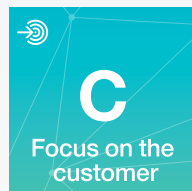
**We seek bold innovations and ideas.**

We see complex problems as opportunities rather than obstacles, knowing that meaningful progress can be just as important as moonshots.



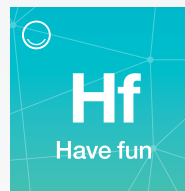
**We hold ourselves to the highest standards.**

Our best is a baseline we continuously seek to improve, maximizing the impact and efficiency of each solution and every situation.



**We start by listening.**

We define success by the satisfaction of our customers, never losing sight of their priorities, goals, and ideal outcomes. Understanding informs everything we do.



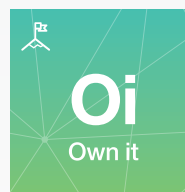
**We enjoy what we do and celebrate each other.**

We create an exciting, positive, and inclusive workplace where we cheer each other on and treat each other with respect. No jerks allowed.



**We are life-long learners who transcend the status quo.**

We seek new learning opportunities, share our findings, and work continuously to evolve our solutions and ourselves.



**We are accountable.**

We look to truly own something and go beyond what simply needs to be done. We are self-aware about strengths and weaknesses so we can improve on both.



**We audaciously lead in a fast-paced field.**

We've stayed a step ahead by building the collective intelligence and exhaustive experience to know when risk is worth the results.



**We are one team.**

Great ideas don't happen in a vacuum. We listen, share, and respectfully debate to reach the best outcomes. We are honest, professional, and ethical.



# How we think about sustainability

When we embrace our collective intelligence, we can build things that impact us all for the better. Driven by our Purpose and Values, we strive for continuous improvement—to maximize the efficiency and effectiveness of our technological solutions and to optimize our impact on the environment, economy, and society.

Our impact on the world is driven by what our products enable. However, we also recognize that to be true to ourselves and our Values, we must also pay attention to our direct impacts on our surroundings. Ultimately, how we manage these impacts drives our long-term value creation and meaningfully affects our customers, employees, and other stakeholders.

In this report, we share the progress we have made on our sustainability journey and discuss our sustainability strategy, policies, and programs. We have been doing much of this work for a long time, and now we are excited to share these stories with you. We have chosen to align this report with the [Sustainability Accounting Standards Board \(SASB\)](#) framework, which is a state-of-the-art format for communicating our impacts and activities in a structured manner.

## Our sustainability commitments within our operations focus on:

- Empowering our people and enabling them to achieve their full potential by developing innovative long-term solutions for our customers and society
- Investing in local communities through our Nuance Cares initiatives
- Reducing the carbon footprint of our data centers and office buildings
- Engaging with suppliers to encourage responsible management of their greenhouse gas emissions

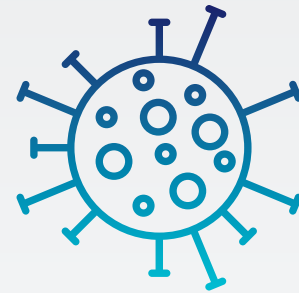
# Response to the coronavirus pandemic

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In the wake of the COVID-19 pandemic, we rose to the challenges presented to support our employees, our customers, and our communities.

We serve our customers in some of the most critical industries impacted by the coronavirus pandemic—healthcare, telecommunications, financial services, and government. The robust continuity and disaster recovery capabilities we invested in long ago were in place to avoid service disruptions for our customers.

Through decades of experience, we have cultivated deep knowledge in building tailored solutions for the healthcare sector, which enabled us to respond quickly and effectively to the pandemic. We offered free add-on Dragon Medical licenses and a COVID-19 Content Pack for all Dragon Medical customers. The add-on licenses enable nurses and physicians to capture the patient story using their mobile phones so they can continue to work efficiently and capture crucial COVID-19 patient data. We also distributed more than 50,000 free temporary product licenses to healthcare providers to help keep clinicians from sharing microphones, provide support to additional medical staff, and most importantly, outfit mobile hospital units, such as the Jacob Javits Center in the heart of NYC. We also provided other complimentary services



Throughout the pandemic, we have focused on ensuring that our customers have the support and innovative technology solutions they need to meet unprecedented demands and continue to operate uninterrupted.

MORE THAN

50,000

free temporary product licenses were provided to healthcare providers.

and access to our solutions to facilitate telehealth and otherwise enable clinicians to continue their work remotely.

In Enterprise, we responded quickly to the dual challenge many of our customers faced of increased call and digital volumes while contact center employees were working from home. We provided temporary volume spike capacity and solutions to automate self-service with the expansion of digital virtual agents.



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## Equally important are the steps we have taken to ensure the well-being of our people.

We made the early decision to transition nearly all of our employees to work-from-home, quickly transforming the way we do business to keep our employees and their families and communities safe. We provided our people with a variety of new tools and resources to give them as much support as possible while working in changed and challenging circumstances. The well-being, both physical and mental, of our team and their families is our top priority. Our team remains engaged, highly productive, and committed to driving business results, which is a testament to the resiliency and spirit of our employees and our infrastructure and preparedness across the company.

# Economic performance and transformation execution

In recent years, we have undergone a strategic transformation to become a simpler, more growth-oriented company. The main priority of this transformation was to focus our investments in our high-performing core business areas: Healthcare and Enterprise.

Within these areas, we are concentrating on our core competency of AI, which includes conversational AI, natural language understanding, and machine learning. To deliver on our promises in the future, we will continue to build on our core competencies by focusing on our cloud-growth strategy, accelerating our innovation activities, expanding our go-to-market presence, including in international markets, and pursuing targeted acquisitions and strategic investments.

With this renewed focus, we have made remarkable advances in our Healthcare and Enterprise solutions. As a result of transitioning our Healthcare solutions from on-premise data centers to the cloud, our Healthcare Annual Recurring Revenue (ARR) is growing. In Enterprise, we successfully optimized our Interactive Voice Response (IVR) technology, built our AI-powered Intelligent Engagement solutions and services, and launched our security and biometrics solution, Nuance Gatekeeper. These offerings enable human-like interactions that combine assisted and self-service support securely across all channels and touchpoints of the customer journey.

## Overview financial figures and numbers fiscal 2019

*(In millions)*

	2019 (ASC 606)	2018 (ASC 605)	2017 (ASC 605)
<b>Continuing Operations</b>			
Total revenues	\$1,521.30	\$1,567.60	\$1,479.70
Gross profit	837.80	824.20	745.70
Income (loss) from operations	107.20	(184.30)	(76.00)
Provision (benefit) for income taxes	12.10	(77.20)	4.80
Net loss from continuing operations	(12.20)	(236.80)	(251.40)



# Innovating to transform interaction





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By Staying Curious, Thinking Big, and seeking bold ideas and innovations, we deliver on our promise to transform business as usual.

Our innovation in conversational AI begins with listening, analysis, and deep understanding of each unique entity we serve, and then putting these understandings to work and recognizing opportunities to innovate further. Through this process, we are creating the next generation of conversational AI-powered tools that will move entire industries into new realms of productivity and shape the future of human-machine interactions in powerful ways.

# Quantum leaps forward

## Driven by incremental advancements

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Much of the progress we have made in our technology has been incremental in nature – a series of small, yet important improvements. While each step may be small, when taken together, the advances our team has made add up to a complete transformation of the conversational AI landscape.

This meaningful, gradual progress, as well as our deep understanding of the markets we serve, has laid the groundwork for our quantum leaps forward. For example, barely a decade ago, no conversational AI technology was directing queries back to the physician in a clinical setting. We recognized that if we applied natural language processing to the medical notetaking and records universe, our systems could ask questions and present back to the physician things they might not have considered.

### Optimizing the ecosystem

As part of our business strategy, we continue to transition our core services away from data centers to the cloud. This shift is crucial in allowing Nuance to leverage the scalability, resiliency, reduced operating costs, and higher energy efficiency compared to owned data centers.



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The cloud is an ecosystem that is continuously evolving, learning, and optimizing by its nature, which is the perfect setting for our products.

## Evolving our solutions

At Nuance, we innovate to continually improve the quality of our products and services for our customers. Described below are innovations from this past year alone.



### END-TO-END NEURAL NETWORKS

We continue to develop and integrate end-to-end neural networks into our products. Historically, AI has used disparate processing units to handle discrete tasks. End-to-end neural networks integrate these different units into a coherent whole, enabling training of a complex learning system using a holistic learning process.



### AMBIENT CLINICAL INTELLIGENCE

Twenty years of research and development converged in 2020 when we launched our AI-powered, voice-enabled solution, Nuance® Dragon Ambient eXperience™ (DAX™). Innovated by Microsoft and Nuance, the Nuance DAX™ solution revolutionizes the clinician-patient experience by using ambient sensing technology to securely listen to clinician-patient conversations while offering workflow and knowledge automation to complement electronic health records.



### CONVERSATIONAL AI

In 2020 we also launched Nuance Mix™, an open enterprise-grade, software-as-a-service (SaaS) tooling suite for creating advanced conversational experiences that power virtual assistants (VA) and interactive voice response (IVR) systems, using our industry-leading and cloud-agnostic conversational AI.



### SECURITY AND BIOMETRICS

Also in 2020, we launched Nuance Gatekeeper, the world's most advanced biometrics solution for authenticating customers and enabling fraud detection. Available as a fully scalable cloud service, the solution allows enterprises to confirm the identity of customers and detect potential fraudsters over voice and text channels.



## Building the innovation ecosystem of the future

Teamwork and collaboration are an essential part of developing everything from efficiency improvements to groundbreaking disruptions. As a market leader in creating deeply-verticalized AI solutions, our global research and development team includes more than 1,500 researchers, speech scientists, and engineers focused on AI research and applications pertaining to speech enhancement, recognition and synthesis, natural language understanding and dialog, biometrics and diagnostic imaging. We also have a number of key partnerships, including our recent partnership with Microsoft on ambient clinical intelligence, and Mila, an academic epicenter in AI and machine learning research in Montreal.



# Corporate governance and business ethics

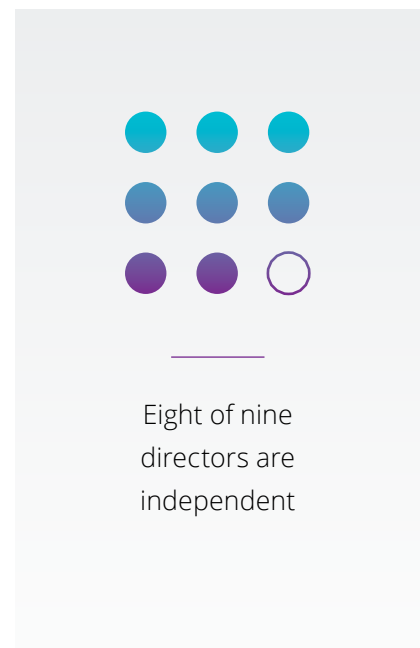


Our Values lead with **Act With Integrity**. Integrity is the cornerstone of Nuance’s sustained success. Our corporate compliance program is designed to ensure that we live our Values and act ethically and in accordance with the highest standards. Our Board of Directors and executive team set the tone for our culture of ethics and integrity. Our corporate governance practices help ensure we have the right leadership that is attuned to the needs of our shareholders, our customers and our people.

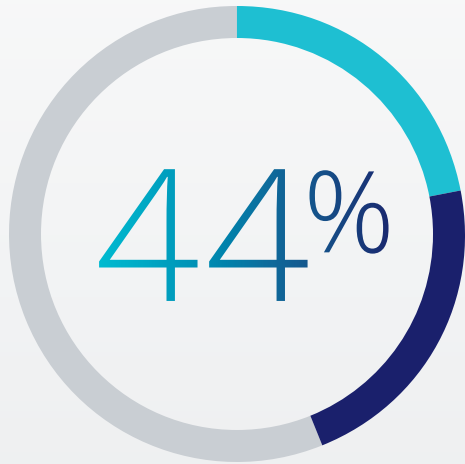
### Diverse and refreshed Board of Directors

In parallel with the recent strategic transformation of our business, we underwent a transformation of our corporate governance. Over the past two years, our Board of Directors was significantly refreshed to ensure we have the right leadership for the new Nuance. Nuance is thriving under the oversight of our new Board. Comprised of rigorously vetted individuals with diverse backgrounds, decades of experience in the industries we serve, and skillsets relevant to our business, our Board has been an instrumental source of support and guidance through our strategic transformation and the COVID-19 pandemic.

Our Board is diverse in gender, race, ethnicity and professional and personal experience. Eight of nine directors are independent. The roles of the Chairman of the Board and the Chief Executive Officer (CEO) are separate, to help ensure we have strong, independent leadership.







Nuance Board of Directors

**female /**  
**ethnically diverse**  
directors

## Engaging with shareholders

Our Values include conducting our business in an ethical manner, and we believe doing so creates long-term value for our shareholders. We committed in 2018 to prioritize the improvement of our shareholder engagement activities. Since then, we have done considerable outreach to shareholders and will continue to do so. Our management, as well as members of our Board, engage directly with shareholders to obtain feedback on governance, executive compensation and other matters throughout the year and directly incorporate this feedback into governance decisions. Also, the Investor Day held in December 2019 – Nuance’s first in many years – was met with an excellent response from the investor community.



Increased shareholder interaction has already led to positive outcomes. For example, in 2020, Nuance's advisory "say-on-pay" vote dramatically improved compared to previous years and was approved by approximately 92 percent of shareholders.

Nuance ensures its responsiveness to shareholders by having in place best-in-class governance practices, including proxy access, majority voting and shareholder right to act by written consent.



**92%** of shareholders approved Nuance's advisory "say-on-pay" vote.

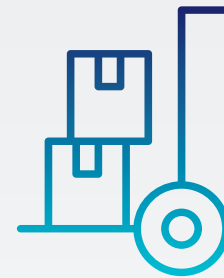


## Acting with integrity

At Nuance, we believe our culture is what happens when no one is looking. It emerges from how we behave and the way we do business. It is driven by our Purpose and underpinned by our Values. Our [Code of Business Conduct and Ethics](#) outlines our standards of ethical business conduct to which we hold all our employees accountable. The Code provides guidance on how to act with integrity with our colleagues, customers, vendors, shareholders, regulators and the community at large, and ensures that our core values are integrated into our corporate practices and individual behaviors. We updated the Code in 2019 to make it more comprehensive, easy to understand and reflective of Nuance.

We have also recently updated our employee handbook to cover in greater detail our policies and expectations in areas including anti-bullying, equal opportunity and anti-discrimination.

We encourage our employees to speak up when they have questions or concerns about practices or behavior that may not meet our ethical standards. Among the many channels of communication we make available to our employees to enable them to raise concerns, we maintain and actively publicize our Ntegrity Helpline, which allows employees to raise concerns on a confidential and anonymous basis at any time, from any location, 24 hours a day / 7 days a week.



Our [Third Party Code of Conduct](#) requires that our suppliers conduct their businesses ethically, have safe working conditions, treat their workers with respect and dignity, and operate in an environmentally responsible manner.

### THE NTEGRITY HELPLINE

We provide employees with the means to raise concerns anonymously via our Ntegrity hotline to enhance our culture of transparency and accountability. We recently updated the hotline to include new types of issues, such as privacy and gifts, to ensure we're capturing all aspects of business ethics. In addition, we updated our procedures to ensure concerns are addressed by subject matter experts for a comprehensive review and response.

## Upholding uncompromising compliance standards

Our compliance standards and ethical culture are a competitive advantage and have earned the trust of current and prospective employees, our customers, our shareholders, and the regulatory bodies with whom we interact. Our Board plays an important oversight role in our compliance program, regularly confirming and ensuring that management is appropriately focused on the maintenance of an effective compliance program tailored to our evolving business. Our executive team, including our Chief Legal Officer, design and maintain our program, which is organized around the pillars of education, effective controls, and enforcement.

We refreshed several elements of our compliance program in 2019, including our [Code of Business Conduct and Ethics](#), our Integrity Helpline as highlighted above, as well as key policies such as our Anti-Bribery and Corruption Policy and Travel and Expense Policy. Our updated policies include Q&As and example scenarios relevant to Nuance to make the content easier for our employees to understand and put into practice.

Employee training is another key element of our compliance program. In addition to mandatory online compliance training that we provide to all new employees during their onboarding and to all other employees on an annual basis, we provide targeted training throughout the year on varying topics and to different audiences as regulations evolve and issues arise.

## Enterprise risk management

Through our Enterprise Risk Management program, we work cross-functionally to assess, prioritize, manage, and mitigate our key company risks. Our Board and executive leadership team regularly review our key risks to ensure we are identifying, prioritizing, and managing them appropriately.

Nuance's compliance program is based on:

- Education
- Effective controls
- Enforcement

Our Board plays an important oversight role in our compliance program, regularly confirming and ensuring that management is appropriately focused on the maintenance of an effective compliance program tailored to our evolving business.



A woman with short brown hair and glasses is sitting in a server room, focused on her laptop. She is wearing a light-colored, long-sleeved top. The background shows rows of server racks with yellow cables. The overall scene is dimly lit, with the primary light source being the laptop screen and the ambient light from the server room.

# Data security and privacy

A world with ever-evolving cyber threats demands an ever-advancing security strategy. Nuance maintains comprehensive data security, strong systems resilience, and high service availability. Nuance also protects the privacy of the data we process while providing transparency about how and where we use it. We work hard to earn, preserve, and strengthen the trust of our customers at each touchpoint.

# Ensuring data security and service continuity

Data security and service availability are essential to our customers and our business. We do everything necessary to achieve comprehensive data security standards while maintaining high availability for our services.

We have made significant recent investments in the security of our operations and services. These investments include converting legacy applications to cutting edge technology and security systems, and establishing global security and hosting practices to align application and infrastructure security, security operations, governance risk and compliance, and global protection services efforts across the company. Our 2019 global security policy initiative, to be completed in 2020, combines and harmonizes all existing security policies and practices into one global framework.

[We also constantly monitor security standards and perform external audits to ensure our data center integrity.](#)

The success of our service continuity efforts was evidenced by our response to the COVID-19 pandemic. We quickly and efficiently transferred our global workforce to remote work while at the same time providing seamless service to customers experiencing extraordinary service demands.

## **FOCUS ON THE CLOUD TO ENHANCE SECURITY**

Nuance is a cloud-centric company and has partnered with top tier cloud providers including Microsoft Azure as our cloud computing service to offer best in class security practices and a highly available and redundant infrastructure to our customers.



## Governing data security

The Office of the Chief Information Security Officer (OCISO) is responsible for the governance, protection and security of our state-of-the-art infrastructure, platform and software systems and data. The overall security strategy for the company is directed by three OCISO organizations:



### Governance, Risk and Compliance (GRC)

**Assures** timely and consistent delivery of uniform policies, standards, internal measurements and metrics for adherence. GRC manages the overall risk management program and compliance with industry security standards such as International Standards Organization (ISO) 27001, Systems and Organizational Controls (SOC) 2, HITRUST CSF and the Payment Card Industry Data Security Standard (PCI-DSS).



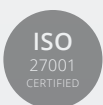
### Cyber Fusion Center (CFC)

**Ensures** that Nuance is adhering to corporate security policies and standards, and complying with technical security controls for infrastructure, platform, and software. It enables the delivery of industry security standards and utilizes the ISO 27002 Control Framework, the National Institute of Standards and Technology (NIST) Cyber Security Framework (CSF) and Special Publications (SP) 800 series, as well as others.



### Global Protection Services (GPS)

**Enables** best practices regarding physical security, provides and maintains business continuity planning and crisis management, and performs digital forensics and investigation services acting as a liaison with our legal team and government authorities.



Quarterly security updates are reviewed for each business unit to identify and discuss vulnerabilities and to ensure business continuity for our customers. Data security policies are reviewed at least once a year with the involvement of key stakeholders.

### A global security approach

Our employees are trained to be alert and investigate data security risks, to collaborate to understand data privacy in our business processes, applications, and technologies, and to create a common understanding of what is expected. Regular cyber security trainings and our internal blog elevate key topics. We also rely on security-by-default mechanisms to automatically detect cyber-attacks. Our security operations center uses Endpoint Detection and Response (EDR) technology and an endpoint protection platform (EPP) to continually prevent, monitor, respond to, and mitigate cyber threats and malicious activities.

### NUANCE TRUST CENTER

In 2020, we debuted the [Nuance Trust Center](#) to inform customers, internal and external stakeholders, and other interested parties about our data privacy, security, and compliance initiatives, certifications, policies, and programs. The trust center explains how we integrate privacy and security into our business activities and the solutions our customers rely on, while sharing our latest thought leadership and best practices for privacy, security, and compliance.

# Safeguarding customer privacy

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Our commitment to data protection and privacy is essential to maintain the trust of our customers, employees, and other key stakeholders. We ensure that our customers' personal data is protected, secured, and handled to the highest standards.

Nuance collects personal data when we manage our products, conduct marketing, and run our business operations. This includes, but is not limited to, the delivery of our software, support services, voice recognition technology, and medical information products. For voice information provided by partners, Nuance, by design, does not store specific personal identifiers that we could tie to any specific individual.

We renewed our Privacy Shield certification in 2020, demonstrating our commitment to data privacy and recognition as a trusted partner of choice. Many of our products meet important data protection standards, such as those of the Health Insurance Portability and Accountability Act (HIPAA). This assists our customers in meeting their HIPAA requirements and sets the benchmark for the protection of sensitive patient data for all our healthcare industry customers. Many other Nuance products meet the Payment Card Industry Data Security Standard (PCI) for customers who require this safeguard.

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## Governing data privacy

The Nuance privacy team includes a Chief Privacy Officer, a Data Protection Officer, privacy counsel, and other privacy compliance professionals. Our privacy office develops, implements, and manages procedures for tracking and complying with new privacy requirements and policies, and works with key stakeholders to develop and implement the requirements. Additionally, individuals across our business are responsible for privacy compliance in their particular functions.



Our privacy office develops, implements, and manages procedures for tracking and complying with new privacy requirements and policies.

## Our data protection program

Our privacy program includes monitoring new laws and regulations that impact our operations and products. Preparations for the General Data Protection Regulation (GDPR) in 2018 laid the groundwork for our corporate-wide data governance program. Subsequent steps in 2020 ensured compliance with the requirements of the California Consumer Privacy Act (CCPA).

Based on these regulatory milestones and others, we developed a privacy compliance framework for managing personal data. In 2020, we renewed policies around data classification, confidentiality, governance, and retention, among others, and adapted processes accordingly. We also renewed our Child Data Policy, which reduces the risk of compliance issues with the U.S. Children's Online Privacy Protection Act (COPPA) and other similar laws. More information about our privacy policy is available on our [website](#).

To streamline privacy program development going forward, we have developed the Nuance 'privacy-by-design' strategy. It enables us to work closely with our internal teams to incorporate privacy and data security principles throughout the entire product and data life cycle – from the collection and processing of data to its retention and deletion.

### Fostering a culture of privacy awareness

We cultivate a culture of privacy sensitivity and promote a shared understanding of how to protect the privacy of our customers and end-users.

All employees must complete an annual training program that familiarizes them with current privacy regulations and developments. Ongoing security and privacy awareness efforts focus on each employees' understanding of their role in exercising best practices in privacy and cybersecurity to safeguard the personal data under our care. Additionally, our internal blog and whitepapers illuminate data privacy issues and encourage employee engagement.



All employees must complete an annual training program that familiarizes them with current privacy regulations and developments.







# People making connections



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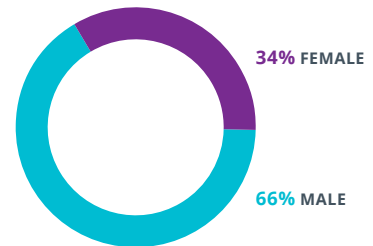
Our success as a company is made possible by our employees. Their passion, curiosity, and tenacity drive our customers' success and create value for our stakeholders. We hire and retain top talent by encouraging and empowering our employees to push limits, be their most authentic selves, and to take care of each other and our communities.



# Attracting and hiring top talent

Our talent is our greatest asset, and we must attract, develop, and retain exceptional talent to meet the needs of our customers. When hiring, we look for candidates who will live our Values, including by Acting With Integrity, Striving for Excellence, and Talking About It, so we can continue to build a strong and collaborative team focused on doing the right thing: for each other, our customers, and our communities.

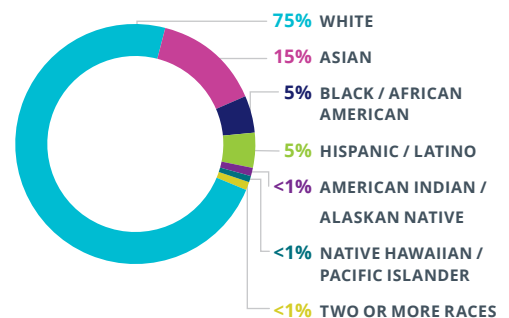
## GENDER DIVERSITY



## THE LEADERSHIP CONSORTIUM

We partner with The Leadership Consortium to provide leadership and development sessions facilitated by Harvard Business School professors for our team. The program is run by hand-picked faculty with a diverse peer executive community who lead sessions intended to create more self-aware executives equipped to lead strong teams. This is just one of the ways we are building well rounded leaders focused on diversity and inclusion.

## U.S. EMPLOYEE DIVERSITY



Hiring talent with diverse backgrounds and skillsets is a key ingredient for innovation. For this reason, this past year, we made significant changes to our recruitment process to improve our ability to identify the best, most diverse candidate pools possible, including:



Ensuring gender-neutral language across all job descriptions company-wide to address unconscious biases within the technology sector



Partnering with external diversity organizations to identify and engage with diverse networks



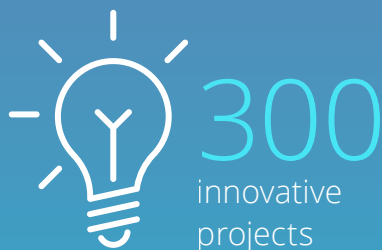
Committing to developing diverse job candidate slates when hiring



Establishing diverse interview panels for positions across all company levels

## Nuance Hackathon

Mix is a state-of-the-art tooling platform in the conversational AI Domain. The goal of Mix.Hackz was to test the platform in real-world usage with Nuance employees. We also wanted to raise awareness of the tool, act as quality control, and have employees submit creative ideas on how to make the tool more effective and efficient.



**New developer tool for testing Mix powered applications in a flexible way.** Now being used broadly in client meetings.

## Breakthroughs

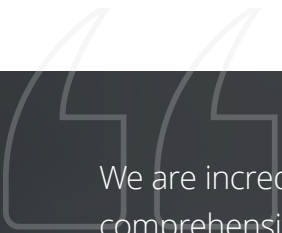
**Virtual assistant for patient appointment follow-up.**

While this won't be a standalone product, it has inspired and advanced Nuance initiatives to address the patient journey through technology. We're talking to numerous Healthcare customers about bringing similar applications to market.

## Supporting the growth of our employees

When we hire someone, we are committed to their growth and success. We want every Nuance employee to feel valued and empowered to be their best – right from the beginning. In the last year, we revamped our onboarding program to ensure all new hires across the globe have the same great experience, are given the information and tools they need to be successful, and are supported throughout their entire first year at Nuance.

We host monthly development workshops and publish a monthly career development newsletter that contains resources for employees to expand their skillsets, connect with colleagues for mentoring and support, and learn more about our industry, markets, and our company. We host annual internal conferences on research and engineering, as well as hackathons and innovation challenges, giving our employees the opportunity to be life-long learners and to continue to develop breakthrough innovations.



We are incredibly proud to support all of our employees with comprehensive benefits offerings and we are committed to making Nuance a dynamic, diverse, and inclusive workplace where each individual is celebrated for being themselves. We know that we are a stronger company when we share our different experiences and unique perspectives, and that diversity and inclusion are essential to our ability to deliver the best possible outcomes to our customers.

Beth Conway, Chief People Officer



We also leverage the great talent we have at Nuance by focusing on the mobility and development of our employees.



As part of our diversity program, we host an unconscious bias training to teach our employees how to recognize and understand their own unconscious biases and how to address situations where others are exhibiting unconscious bias.

We list job openings internally before releasing the job opportunity publicly and promote these roles, so employees know when these opportunities arise. We actively discuss with employees their goals and priorities through regular performance touchpoints to ensure we're empowering employees to achieve their full potential and their personal and professional goals.

Through these efforts, we can develop high potential employees to advance within our organization and be the next generation of Nuance's leadership. We have conducted succession planning for many years, and in 2019 we took this a step further by looking at succession planning as it relates to employee development.

### Creating a culture of inclusivity

We have stated clearly and publicly our commitment to diversity and inclusion at Nuance, and our management is focused on fulfilling this commitment. We pay close attention to our diversity metrics to ensure we are making progress towards our goals. We measure gender, ethnicity, and age diversity across all levels of the company, and our executive team reviews and discusses these metrics regularly.

As part of our diversity program, we host an unconscious bias training to teach our employees how to recognize and understand their own unconscious biases and how to address situations where others are exhibiting unconscious bias. In addition, the training covers how Nuance is addressing diversity and inclusion and how employees can get involved in the company's efforts.



## Nuance networks

Our employees have formed networks and resource groups to socialize with like-minded colleagues and bring awareness about important issues to the Nuance community and our local communities.



### Women in Nuance (WIN)

**WIN** is a global network that inspires, supports, and develops women across the company, provides meaningful mentoring and networking opportunities, and builds awareness of important gender issues. WIN members participate in monthly events, including social networking activities, development and training opportunities, and a speaker series.

*(left) Nuance women coming together at the Massachusetts Conference for Women.*

### Nuance Pride

**Nuance Pride** is an inclusive community of employees and allies focused on LGBTQ common interests and initiatives. The group promotes an open and inclusive culture, provides networking and learning opportunities for members and the broader community, and celebrates our pride around the world.

*(right) Nuance employees at a Pride event.*



### Multicultural Association for Diversity Empowerment Network (MADE)

**MADE** is a community of employees who foster and encourage an environment where diversity and cultures are embraced and recognized to help maximize the success of the organization, while building on individuals' unique talents and diverse backgrounds, to achieve autonomy, personal and professional growth.

*(left) Nuance employees celebrate the Indian holiday Diwali.*





## Providing supportive benefits

Nuance is committed to providing our employees with comprehensive benefits programs and policies that support the health and wellness of our diverse workforce and enable us to attract and retain top talent. In 2019, our annual review of our employee benefits packages led to significant improvements to our benefits offerings to make them more comprehensive, competitive, and inclusive of our diverse workforce. Nuance now offers global parental leave of 12-weeks, a phased back to work program for new parents, enhanced medical, dental, and vision policies, and a significantly enhanced family leave and bereavement policies to ensure our employees can take the time they need to care for themselves and their loved ones.

## Equal compensation

Pay equity and equality are issues with which all sectors and industries are still grappling – the technology sector is no exception. Nuance is committed to pay equity and providing equal pay for equal work, regardless of gender, race, or other personal characteristics. We conduct pay-equity reviews to ensure we remain compliant and vigilant on providing fair pay.



Nuance now offers global parental leave of 12-weeks, a phased back to work program for new parents, enhanced medical, dental, and vision policies, and a significantly enhanced family leave and bereavement policies.



### SUPPORTING THE RONALD MCDONALD HOUSE CHARITY

Nuance donates to organizations in a variety of sectors, including Healthcare, STEM, supporting local communities, and responding to natural disasters. This holiday season Nuance was proud to support the Ronald McDonald House, a global charity operating in more than 64 countries and providing travel and housing assistance to families so that they can stay near their hospitalized children.



*Employees across the globe band together for VTO.*

## Enhancing community engagement

Through Nuance Cares, our newly established employee matching and volunteer program, Nuance Foundation, the charitable foundation supported by Nuance, provides dollar-for-dollar matching of employee contributions of up to \$1,000 per year. Nuance also provides each employee 16 hours, or two days, of Volunteer Time Off (VTO) annually. During the fiscal year 2019, contributions from our employees, executives, and Board totaled over \$175,000. In our first year of VTO in the fiscal year 2019, nine percent of employees recorded 4,728 hours of VTO, averaging seven hours of VTO for participating employees, many of whom volunteered in groups. We held the first Nuance Cares Week in December of 2019, during which we raised \$100,000 in donations, and employees used 1,800 hours of VTO. During the COVID-19 pandemic, we offered virtual volunteering opportunities for our employees to support communities in need and increased our employee match to 2-to-1 through June 30, 2020.

Nuance provides each employee with

# 16 hours

of Volunteer Time Off (VTO) annually.

## Listening to our employees

Our employees' feedback is instrumental in helping us stay competitive and making us an even better place to work. Our Employee Listening strategy includes a variety of employee feedback touchpoints that allow us to understand how satisfied our employees are with the Nuance employee experience. Our strategy is centered around our annual engagement survey – Nuance Vibe. We are now in our fourth year of the Vibe program and have expanded that to include onboarding surveys, exit surveys, and ad hoc touchpoints such as acquisition integration surveys. Based on the Vibe Survey results, leaders and managers at each level receive feedback from their teams and are responsible for driving improvements.

Our employee's feedback is invaluable in our quest to create an exceptional employee experience and remain an employer of choice. To do this, we remain steadfast in our commitment to providing top-tier benefits, creating platforms that empower our employees, and enabling their professional success at Nuance and beyond.

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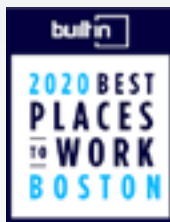
Our employee's feedback is invaluable in our quest to create an exceptional employee experience and remain an employer of choice.

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We're proud to be recognized as an employer of choice in a variety of impressive and industry-leading publications.





# Our environmental footprint

Uitmuntendheid  
Kiválóság  
卓越  
Excellence  
Excelencia  
Feabhas  
उत्तमता  
**Excellenc**<sup>®</sup>  
Laatu  
Eccellenza  
卓越  
Exzellenz  
우수성  
Excelência  
التميز

From our office buildings to data centers, we are actively reducing our direct environmental impact at local sites and globally, most notably through our transition away from data centers to the cloud. We are also committed to minimizing our indirect environmental impact, including through ongoing improvements to our Vendor Management Program, and to reviewing our approach to how we manage our environmental footprint on an ongoing basis.

# Climate change and greenhouse gas emissions

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With offices in 23 countries, we recognize our responsibility to mitigate our contribution to climate change. We are taking substantial steps to lower our greenhouse gas (GHG) emissions footprint and limit our exposure to climate-related risks. As much of our impact is driven by our data center operations, we are making a strategic transition to the public cloud and upgrading the information technology (IT) infrastructure in data centers we continue to maintain.







As a result of our implementation of hyperconverged infrastructure (HCI), we expect an estimated 60 to 70 percent reduction in energy in our three largest data centers by the start of fiscal year 2021.

### Transitioning to the cloud and lowering our GHG emissions

By moving to cloud-based software, we reduce our GHG emissions and lower our capital expenditures. Cloud-based software allows us to be more energy efficient when scaling up and down to meet customer needs. It also makes our operations more efficient, reduces expenses, and ultimately improves bottom-line performance. We closed ten data centers in 2019 and plan to close another nine in 2020. As of June 30, 2020 we had operations in 30 colocation data centers.

### Improving energy efficiency with best-in-class infrastructure

In addition to reducing our data center portfolio, we are making our remaining data centers more sustainable. For example, we are consolidating IT software to reduce the physical size of data centers and using hyperconverged infrastructure (HCI) to increase energy efficiency. HCI is a software that consolidates IT components into a single integrated system and reduces the power necessary to operate the data center.

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Cloud-based software allows us to be more energy efficient when scaling up and down to meet customer needs. It also makes our operations more efficient, reduces expenses, and ultimately improves bottom-line performance.

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## Environmental considerations for data center management

As part of our energy management approach, we track and analyze the energy consumption at our data centers. During our quarterly service reviews, we assess power consumption by product, service, and client, and we regularly review our data center providers' sustainability programs.

# We also consider energy sourcing and efficiency when assessing new data center locations.

Our Requests for Proposal ask data center providers to describe their approach to sustainability and energy conservation and provide data on their renewable energy usage, GHG emissions, and energy usage overall.

### When evaluating a potential new facility, we consider:

1. Power usage effectiveness (PUE), calculated by dividing the amount of power entering a data center by the power used to run the IT infrastructure – this gives us a sense of how energy efficient the facility is
2. Facility design from a power and cooling perspective
3. Energy conservation processes integrated into the facility's operations
4. Site resilience – especially to weather-related events exacerbated by climate change
5. Management of the data center's effect on the environment



## DEMONSTRATING OUR COMMITMENT

In 2019, a customer requested we investigate two different data center providers to use for our services. One of the facilities was much older and did not use any renewable energy, while an alternative site was recently built and had an energy efficient design along with low diesel requirements for generators. We chose the latter option, despite it being approximately 2 to 2.5 percent more expensive, due to their demonstrated commitment to incorporating sustainability into the data center's operations.

## Streamlining our footprint

We are gradually working to close certain office locations and concentrate our operations in our larger hub locations. In 2020, we will conduct a company audit of these hub sites to find opportunities to lower our environmental impact, including through increased recycling and further efficient cooling and lighting.

## Workplace sustainability

We have a variety of sustainability measures in place at our sites across the globe, including transportation initiatives, technology recycling, and water-conserving practices.

### Employee commuting

Providing employee commuting options is a tangible way we can reduce our GHG footprint at the local level. At some of our locations, we offer low emissions transportation incentives, such as pre-tax commuter benefits across the U.S. and a stipend for parking and transit for employees in Seattle, Washington, and Montreal, Canada. Access to public transportation and walkability are key criteria we look for when choosing new office locations.



We offer low emissions transportation incentives, such as pre-tax commuter benefits across the U.S. and a stipend for parking and transit for employees in Seattle, Washington, and Montreal, Canada.

The Sustainability Initiative Program at our Melbourne, Florida office is a pioneer within Nuance on integrating sustainability throughout the site. Key program elements include:



**Waste and Recycling:** We shred and recycle paper and cardboard and reuse clean packing and shipping materials such as Styrofoam and bubble wrap whenever possible.

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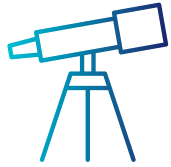


**Water:** We installed low-flush toilets, and we supply drinking water from water-filtering dispensers rather than bottled water.

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**Energy:** Our office is accessible by bus and has three locations where employees can charge electric vehicles. In addition, we voluntarily participate in the Florida Power and Light Demand Reduction Program, where our power provider switches our facility to generator power in emergency or peak times to reduce energy usage.



Looking forward,  
we intend to scale  
our environmental  
sustainability program by:

- Expanding energy reduction efforts to additional Nuance locations
- Using more sustainable goods in our offices
- Updating the Nuance Supplier Practices managed by our Procurement team
- Enhancing the sustainable practice requirements launched in 2019 to explore opportunities to work more with sustainable suppliers

Thank you for reading our inaugural 2020 ESG Report. We look forward to sharing this journey with you moving forward. We are excited to build on the strong foundation provided by our Purpose and Values and to continue to drive meaningful change for our people, our communities, our customers, our shareholders, and our planet.

# SASB Index

The SASB data is being reported pursuant to the metrics specified for our industry, and the inclusion of such metrics in this report is not an admission of materiality of the information.

## SASB IT Services and Software Standard

### Environmental Footprint of Operations

Accounting Metric(s)	Code	Unit	Response or Location in Report
(1) Total energy consumed (2) percentage grid Electricity (3) percentage renewable	TC-SI-130a.1	Gigajoules (GJ), Percentage (%)	(1) 54 gigawatt hours consumed at colocation sites. We are unable to provide energy usage data for our cloud services at this time. (2) 100% (3) 32%
(1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	TC-SI-130a.2	N/A	We are unable to provide water usage data for our colocation facilities at this time.
Discussion of the integration of environmental considerations into strategic planning for data center needs	TC-SI-130a.3	Discussion and Analysis	See pages 46-47

### Data Privacy and Freedom of Expression

Accounting Metric(s)	Code	Unit	Response or Location in Report
Description of policies and practices relating to behavioral advertising and user privacy	TC-SI-220a.1	Discussion and Analysis	See pages 29-31.



## Data Privacy and Freedom of Expression (continued)

Accounting Metric(s)	Code	Unit	Response or Location in Report
Number of users whose information is used for secondary purposes	TC-SI-220a.2	Quantitative	<p>We take a strong stance on the use of personal data for monetization and secondary purposes: we do not sell personal information that is processed for products to third parties.</p> <p>In sales and marketing, we have implemented a privacy practice to comply with the legal data privacy requirements while still providing a personalized experience for our customers and prospects. Nuance's privacy office works closely with the sales teams to responsibly manage personal data from marketing and sales activities. We are well-versed in the data privacy rules and regulations regarding the different types of engagements such as the marketing of product developments and improvements to existing business clients as opposed to attracting new clients. Our marketing and privacy programs are coordinated with regard to the data subject's "Right to Rectification" and "Right to Erasure", for example, to support Nuance and its customers.</p> <p>The data that is used for research in the automatic speech recognition (ASR) and natural language processing (NLP) has strict data security and logical access controls with a separate IT environment. This IT environment is used exclusively by our researchers and is isolated from the production environment. We have a robust data lifecycle governance process requiring data to be deleted upon the expiration of its retention period.</p>
Total amount of monetary losses as a result of legal proceedings associated with user privacy	TC-SI-220a.3	Quantitative	Zero
1) Number of law enforcement requests for user information, (2) number of users whose information was requested, (3) percentage resulting in disclosure	TC-SI-220a.4	Quantitative	<p>(1) Zero</p> <p>(2) Zero</p> <p>(3) Zero</p>
List of countries where core products or services are subject to government-required monitoring, blocking, content filtering, or censoring	TC-SI-220a.5	Discussion and Analysis	We are not aware of any countries which subject Nuance to monitoring, blocking, content filtering or censoring of data.

## Data Security

Accounting Metric(s)	Code	Unit	Response or Location in Report
(1) Number of data breaches, (2) percentage involving personally identifiable information (PII), (3) number of users affected	TC-SI-230a.1	Quantitative	Except as a matter of public record or regulatory compliance, we do not disclose this information.
Description of approach to identifying and addressing data security risks, including use of third-party cybersecurity standards	TC-SI-230a.2	Discussion and Analysis	See pages 26-28.

## Recruiting and Managing a Global, Diverse and Skilled Workforce

Accounting Metric(s)	Code	Unit	Response or Location in Report	
Percentage of employees that are (1) foreign nationals and (2) located offshore	TC-SI-330a.1	Quantitative	<b>Country</b>	<b>Percent of workforce that is a foreign national</b>
			US	4
			Canada	8
			Asia and the Pacific	<1
			Europe, Middle East, and Africa	6. With respect to the EU, we only consider individuals with countries of origin outside of the EU to be foreign nationals given that EU citizens can work in the EU without a visa permit.
We recruit the best-qualified talent for our company. We do not consider the employment of foreign nationals as posing a significant business risk.				

**Recruiting and Managing a Global, Diverse and Skilled Workforce** (continued)

Accounting Metric(s)	Code	Unit	Response or Location in Report																						
Employee engagement as a percentage	TC-SI-330a.2	Quantitative	<p>See page 42.</p> <p>To understand employee engagement, we use Qualtrics' (part of SAP) survey platform to conduct employee listening surveys. All full-time employees who have been employed for more than 30 days are eligible to participate in the survey.</p> <p>The Nuance Vibe survey asks employees to provide thoughtful feedback on their work experiences, including how they get work done, how they work with others, thoughts on leadership and management, feedback on strategy and goals, career development opportunities and other important topics. Using this feedback, we calculate an engagement score that gauges employee satisfaction. Our average engagement score in 2019 was 75 percent, a three percent increase from 2018. In 2019, every Vibe Survey category improved year-over-year, with our biggest improvements in Leadership and Communication.</p> <p>The response options for each statement are: strongly agree, agree, neither agree nor disagree, disagree, and strongly disagree. To calculate the percent of employee engagement, we total the employees who respond "Agree" or "Strongly Agree" on the 5-point likert scale.</p>																						
Percentage of gender and racial/ethnic group representation for (1) management, (2) technical staff, and (3) all other employees	TC-SI-330a.3	Quantitative	<p><b>Gender Diversity at Nuance</b></p> <table border="1"> <thead> <tr> <th></th> <th>Female</th> <th>Male</th> </tr> </thead> <tbody> <tr> <td><b>Nuance global employees</b></td> <td><b>34%</b></td> <td><b>66%</b></td> </tr> </tbody> </table> <p>*This data reflects all corporate employees and excludes contractors, temporary employees, and interns. **This data is as of December 31st, 2019.</p> <p><b>US Employee Diversity</b></p> <table border="1"> <thead> <tr> <th></th> <th>American Indian or Alaskan Native</th> <th>Asian</th> <th>Black or African American</th> <th>Hispanic or Latino</th> <th>White</th> <th>Native Hawaiian or Other Pacific Islander</th> <th>Two or More Races</th> </tr> </thead> <tbody> <tr> <td><b>Nuance U.S. employees</b></td> <td><b>&lt;1%</b></td> <td><b>15%</b></td> <td><b>5%</b></td> <td><b>5%</b></td> <td><b>75%</b></td> <td><b>&lt;1%</b></td> <td><b>&lt;1%</b></td> </tr> </tbody> </table> <p>*This data reflects all corporate employees and excludes contractors, temporary employees, and interns. **This data is as of December 31st, 2019.</p>		Female	Male	<b>Nuance global employees</b>	<b>34%</b>	<b>66%</b>		American Indian or Alaskan Native	Asian	Black or African American	Hispanic or Latino	White	Native Hawaiian or Other Pacific Islander	Two or More Races	<b>Nuance U.S. employees</b>	<b>&lt;1%</b>	<b>15%</b>	<b>5%</b>	<b>5%</b>	<b>75%</b>	<b>&lt;1%</b>	<b>&lt;1%</b>
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## Intellectual Property Protection and Competitive Behavior

Accounting Metric(s)	Code	Unit	Response or Location in Report
Total amount of monetary losses as a result of legal proceedings associated with anticompetitive behavior regulations	TC-SI-520a.1	Quantitative	Zero

## Managing Systemic Risks from Technology Disruptions

Number of (1) performance issues and (2) service disruptions; (3) total customer downtime	TC-SI-550a.1	Quantitative	Minimizing performance issues, service disruptions, and total customer downtime is core to our business. We monitor these metrics, review with senior management regularly and provide reporting to our customers on our service levels results.
Description of business continuity risks related to disruptions of operations	TC-SI-550a.2	Discussion and Analysis	Because our services are complex and incorporate a variety of third-party hardware and software, our services may have errors or defects that could result in unanticipated downtime for our customers and harm to our reputation and our business. We have, from time to time, found defects in our services, and new errors in our services may be detected in the future. In addition, we currently serve our customers from data center hosting facilities we directly manage, and from third-party public cloud facilities. Any damage to, or failure of, the systems that serve our customers in whole or in part could result in interruptions in our service. Interruptions in our service may reduce our revenue, cause us to issue credits or pay service-level agreement penalties, cause customers to terminate their on-demand services, and adversely affect our renewal rates and our ability to attract new customers.

## Activity Metrics

(1) Number of licenses or subscriptions, (2) percentage cloud-based	TC-SI-000.A	Quantitative	Over 10,000 organizations worldwide use Nuance products. We anticipate all of our hosted products being cloud-based by the end of 2024.
(1) Data processing capacity, (2) percentage outsourced	TC-SI-000.B	Quantitative	Due to the proprietary nature of this data, we are choosing not to disclose this data at this time.
(1) Amount of data storage, (2) percentage outsourced	TC-SI-000.C	Quantitative	Given this data is not relevant to our business performance nor readily available, we choose not to disclose this data at this time.

**Safe Harbor and Forward-Looking Statements:** Statements in this document regarding future performance and our management's future expectations, beliefs, goals, plans or prospects constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Any statements that are not statements of historical fact (including statements containing the words "believes," "plans," "anticipates," "expects," "intends" or "estimates" or similar expressions) should also be considered to be forward-looking statements. There are a number of important factors that could cause actual results or events to differ materially from those indicated by such forward-looking statements, including but not limited to: the impact of the COVID-19 pandemic, the effects of competition, including pricing pressure, and changing business models in the markets and industries in which we operate; fluctuations in demand for our existing and future products; changes to economic, political, and regulatory conditions in the United States and internationally; our ability to attract and retain key personnel; further unanticipated costs resulting from our FY17 malware incident including potential costs associated with governmental investigations that may result from the incident; our ability to control and successfully manage our expenses and cash position; potential future cybersecurity and data privacy incidents or breaches; our ability to comply with applicable domestic and international laws and policies; fluctuating currency rates; possible quality issues in our products and technologies; our ability to realize anticipated synergies from acquired businesses, to cut stranded costs related to divested businesses, and to capture the expected value from strategic transactions including the spin-off of our Automotive business; and the other factors described in our most recent Form 10-K, Form 10-Q and other filings with the Securities and Exchange Commission. We disclaim any obligation to update any forward-looking statements as a result of developments occurring after the date of this document.

