

REPORT ON SUSTAINABLE INVESTING 2019



UNJSPF
United Nations Joint
Staff Pension Fund
**OFFICE OF
INVESTMENT
MANAGEMENT**

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INTRODUCTION

The mission of the Office of Investment Management (OIM) is to contribute to the global mission of the United Nations (UN) family of organizations by ensuring the long-term financial sustainability of the United Nations Joint Staff Pensions Fund (UNJSPF).

In pursuit of this mission, we set a vision for OIM last year to become a best-in-class global long-term investment institution, defined as an organization able to deliver to its stakeholders superior returns over the long term, relative to peers. This included the critical expansion of a robust sustainable investing strategy. We hope this report will help you understand better how OIM has translated sustainable principles into practice this past year.

In 2019, we made significant progress by further aligning OIM's investment activities with the goals of the United Nations. This included advances in our sustainable investing strategy and an acceleration of our climate program, further integration of environmental, social, and governance (ESG) factors across all asset classes, a divestment announcement from thermal coal, enhanced ESG and carbon reporting capabilities and updates to the OIM Investment Policy Statement (IPS) to codify our approach to sustainable investing. We also augmented our sustainable investing team to further expand our ESG efforts. OIM is pleased to announce that in 2020, we will join the United Nations-convened Net-Zero Asset Owner Alliance and commit to implement the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). These additions are integral parts of OIM's continual efforts to implement a climate change strategy, as an important pillar of our sustainable investing approach.

Active stewardship is also an essential component of OIM's sustainable investment program, and we made notable changes last year to both our proxy voting and engagement practices to further implement this objective. The promotion of sustainable business practices, fair labor principles, non-discrimination, the protection of human rights, and gender diversity on boards are now at the core of our efforts in these areas.

We strongly believe that portfolios with a strong commitment to sustainability have the potential to provide returns that are superior to those of conventional portfolios, while exhibiting lower risk over the long term. Disregard for material ESG risks has negative consequences for our planet, the health and wellbeing of people, and ethical governance principles that would harm long-term financial returns for asset owners such as OIM.

Finally, at the time of the finalization of this report, the world is facing unprecedented challenges amid the COVID-19 pandemic. As investors for the staff of the UN family, we are deeply concerned about the economic and humanitarian impacts that this crisis has unleashed. Committing to sustainable investment will contribute to the international efforts to better the post-COVID-19 world, following the UN Secretary-General's leadership. Throughout this report, you will also see the impactful work of the 24 member organizations of the UNJSPF. We hope that you enjoy this year's OIM Report on Sustainable Investing.

Key Fund Stats

as of 31 December 2019

MARKET VALUE OF ASSETS

\$72B

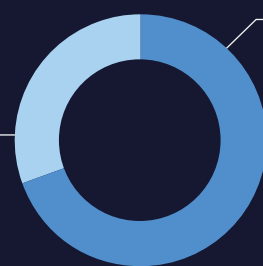
INVESTMENTS ACROSS

109

COUNTRIES
AND REGIONS

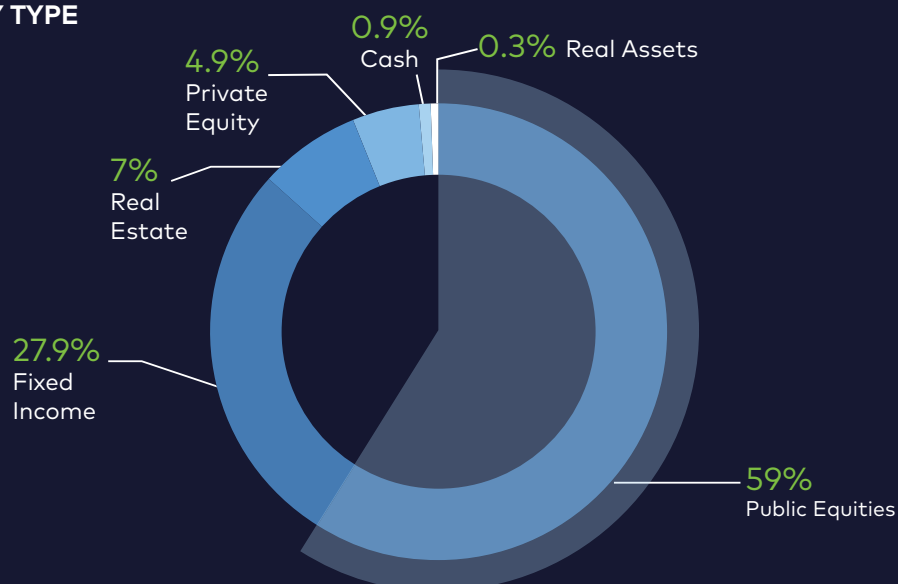
33 CURRENCIES

\$22B
others



\$50B
in dollars

ASSET BREAKDOWN BY TYPE



ACTIVE PARTICIPANTS



RETIREES AND BENEFICIARIES



ASSET MANAGEMENT

Internally Managed

Externally Managed

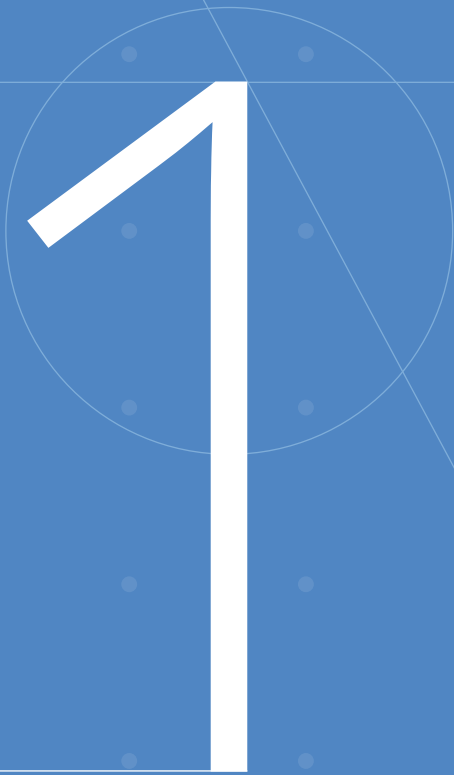
84%

16%

2019 KEY SUSTAINABLE INVESTING HIGHLIGHTS







About OIM and the UNJSPF



THE UNJSPF

The UNJSPF was established by the General Assembly of the United Nations in 1949 to provide retirement, death, disability, and related benefits for staff upon cessation of their services with the United Nations.

This also includes 23 additional member organizations that have been admitted to the fund.

The defined benefit lifetime pension provided by the UNJSPF to staff and their survivors is a vital component of the UN family's employee value proposition. It enables the UN family to continue to attract the best and the brightest from around the world, in an era otherwise defined by resource constraints. The Fund has offices in New York and Geneva and a liaison office in Nairobi.

Office of Investment Management

The Office of Investment Management (OIM) is responsible for the investment of UNJSPF assets. Its mission is to contribute to the global mission of the UN family of organizations by ensuring the long-term financial sustainability of the UNJSPF. OIM reports to the Secretary-General (SG) through his Representative (RSG) for the investment of the assets of the Fund.

The Office of the Representative of the Secretary-General (RSG) provides oversight and overall accountability for OIM activities. It ensures that all investment operations support the financial objectives, maintain the sustainability of the Fund, and are in the best interest of the plan members. This involves setting overall fund strategy and creating the framework that OIM's functional areas use to establish their respective strategies and priorities.

The Investments Group is responsible for achieving the best possible investment return while avoiding undue risk. Over the short term, success is measured by the Group's ability to meet or exceed the return of the Policy Benchmark, and the more important long-term objective is to meet or exceed the 3.5% real rate of return in US dollars.

The Investments Group consists of 7 teams, supported by the Risk and Compliance, Operations, IT, Legal and Finance teams:



Governance

The RSG has been delegated the authority on all matters involving the fiduciary duties of the SG relating to the investment of the assets of the Fund including representing the SG at meetings of the Investments Committee, the Pension Board, and other meetings where investment matters pertaining to the UNJSPF are being discussed. The RSG is assisted by OIM. Investments must, at the time of initial review, meet the criteria of safety, profitability, liquidity and convertibility.

Investments are carried out within the framework of an Investment Policy Statement (IPS) which is usually updated comprehensively subsequent to the completion of an Asset-Liability Management (ALM) study, conducted once every four years. The Investment Policy Statement was updated in 2019.

The oversight of investments is done by the:

Internal Investment Committee (IIC)

The IIC assists and advises the RSG in respect of our investment strategy and asset allocation.

Private Market Committee (PMC)

The PMC assists the RSG in exercising his oversight and management role with respect to our investments in private markets (i.e. investments not listed or traded on public exchanges).

Risk and Compliance Committee

The Risk and Compliance Committee oversees risk mitigation which includes the identification and reporting of reputational risks of investments, which are often associated with ESG factors such as ethics violations, safety issues, security issues, litigation or enforcement issues.

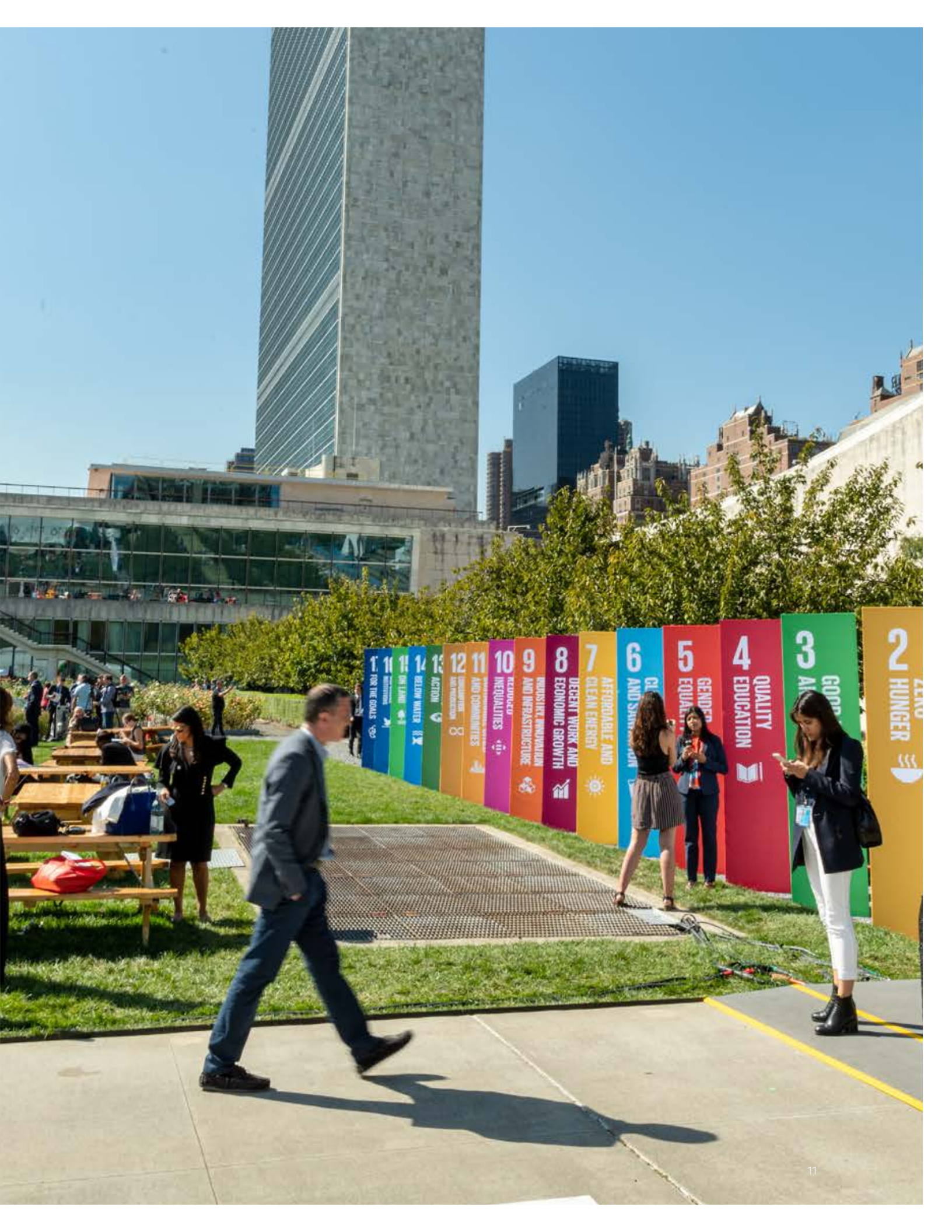


In 2019, we updated the Terms of Reference for the IIC and PMC to include the consideration of ESG factors.

This ensures the inclusion of oversight of OIM's approach to sustainable investing and its continuing integration of ESG metrics, while remaining entirely consistent with OIM's fiduciary responsibility to meet its Long-Term Investment Objective.



Our Sustainable Investing Approach



OUR HISTORY OF SUSTAINABLE INVESTING



SUSTAINABLE INVESTMENT APPROACH

As OIM pursues its fiduciary responsibility of meeting our Long-Term Investment Objective, it also strives to be a leader in sustainable investing. OIM believes universal asset owners such as itself can contribute to a more prosperous society as outlined in the globally agreed upon Sustainable Development Goals (SDG).

OIM's sustainable investing approach references such internationally recognized sustainability-related initiatives as the UNEP Finance Initiative, Principles for Responsible Investment (PRI), the United Nations Global Compact (UNGC), and the conventions of the International Labour Organization (ILO).

OUR SUSTAINABLE INVESTMENT APPROACH IS BASED ON THREE PILLARS

EXCLUSIONARY

Prohibits investments in tobacco, weapons, and thermal coal across the Fund's assets

FULL ESG INTEGRATION

Support investment decisions with ESG metrics across all asset classes

ENGAGEMENT

Proxy voting and stewardship as active dialogue with our investee companies

ESG ENHANCEMENT IN THE INVESTMENT POLICY

While OIM began implementing sustainable investments more than a decade ago, it codified its approach in this area and updated the Investment Policy Statement (IPS) in July 2019. OIM's new IPS reinforces our commitment to sustainability throughout the entire investment decision-making process and across each asset class. These updates are founded on OIM's view that portfolios with integrated ESG metrics in their investment decision-making process have the potential to provide superior returns to those of conventional portfolios, while exhibiting lower risk over the long term. This view has been supported by a large amount of academic research and literature.

The updated IPS outlines how OIM seeks to promote sustainable business practices and stewardship that advocates improvement of the environment, fair labor practices, non-discrimination and the protection of human rights. Engagement efforts will be directed by the sustainable investment proxy voting guidelines to create more effective and sustainable impact.

To read the most up-to-date version of the OIMS IPS, [click here](#).

ESG RECOGNITION



A+
2019 PRI Rating



TOP 25
2019 RAAI Leader's List: One of the Top 25 Most Responsible Asset Allocators in the world



#7 OUT 100
Ranked number #7 out of 100 global pension funds in the 2018 Asset Owners Disclosure Project



Sustainable Investment Integration



SUSTAINABLE LEADERSHIP FUNDS

To achieve broader organizational mandated goals related to sustainable investment, OIM conducted an ongoing search to identify external asset managers that have a rich history of ESG investing while utilizing the most sophisticated quantitative ESG applications available.

Building strategic partnerships with best-in-class external asset managers will aid in achieving the following outcomes:



Integrate ESG best practices in the OIM internal investment process.



Perform joint research projects on ESG, Sustainable Development Goal (SDG) & impact measurement, and decarbonization factors.



Develop expertise in artificial intelligence (AI) and natural language processing (NLP) to enhance both fundamental and quantitative investment research capabilities of OIM.



Collaborative engagement to reduce potential ESG-based risks and enhance financial value in companies' ESG practices.

INTEGRATION ACROSS ASSET CLASSES

OIM's sustainable investment strategy includes material ESG considerations that are being integrated throughout the entire investment decision-making process.

From December 2019 and into 2020, OIM carried out a comprehensive training focused on sustainable investment. This included over a dozen programs that formally trained investment officers across all asset classes on the methodology and functionality of internal and external ESG platforms. The objective was to further enhance our portfolio managers' understanding of the value of sustainable investment, the ESG

tools and data sources available, and further the integration of ESG into their investment decision-making processes. It is our belief that portfolio managers must formally consider all relevant and material information, including ESG matters, to achieve long-term sustainable performance. Training programs focused on tools covering engagement, proxy voting, reputational risk and business conduct, ESG ratings and climate risk data.



INTEGRATING ESG



ESG RISKS CAN VARY ACROSS INDUSTRIES

The following are examples of ESG risks and not representative of OIM's actual investments:

Dimension	General Issue Category	Consumer Goods	Extractives & Minerals Processing	Technology & Communications
Environment	GHG Emissions			
	Air Quality			
	Energy Management			
	Water & Waste Management			
	Water & Hazardous Materials Management			
	Ecological Impacts			
Social Capital	Customer Privacy			
	Data Security			
	Access & Affordability			
	Human Rights & Community Relations			
	Product Quality & Safety			
	Customer Welfare			
	Selling Practices & Product Labeling			
Human Capital	Labor Practices			
	Employee Health & Safety			
	Employee Engagement, Diversity & Inclusion			
Business Model & Innovation	Product Design & Lifecycle Management			
	Business Model Resilience			
	Supply Chain Management			
	Physical Impacts of Climate Change			
	Materials Sourcing & Efficiency			
Leadership & Governance	Access & Affordability			
	Human Rights & Community Relations			
	Product Quality & Safety			
	Customer Welfare			
	Selling Practices & Product Labeling			

Source: SASB's Materiality Map

SECTOR LEVEL MAP

- Issue is likely to be material for more than 50% of industries in sector
- Issue is likely to be material for fewer than 50% of industries in sector
- Issue is not likely to be material for any of the industries in sector

INDUSTRY LEVEL MAP

- Likely a material issue for companies in the industry
- Not likely a material issue for companies in the industry

FIVE-STAGE ESG PROCESS

OIM's Sustainable Investment Team (SIT) applies a five-stage process for the public equity and fixed income portfolios based on best practices across the industry. The process includes the following features to integrate ESG requirements:



ESG INDEX AND UNIVERSE SCREENING

Screening individual companies for reputational risk and controversies.



PORTFOLIO ANALYTICS

Carbon footprinting, customized controversies screening for weapon and tobacco sales, stranded asset analysis and Sustainable Development Goals (SDG) impact analysis.

Stranded assets are assets which, prior to the end of their traditional economic life, will no longer earn an acceptable return due to changes associated with the transition to a low carbon economy.





ESG DASHBOARD

An in-house development to source and consolidate material ESG data points for enhancing fundamental and valuation analysis, using both historical and forecast values.



COMPANY AND INDUSTRY ANALYSIS

A deeper dive into individual companies on both a qualitative and quantitative level. This includes a peer analysis on company and prospective holdings that is ultimately integrated into our investment rational and company risk due diligence.



SUSTAINABLE PROXY VOTING & ENGAGEMENT

Identifying strategies corporations can take to improve their long-term sustainability and aligning proxy voting accordingly.

GLOBAL EQUITIES

The OIM Global Equity teams invest in public equities across North America, Europe, Asian Pacific and Emerging Markets. Each team evaluates a variety of risks that could impact a company's profitability, with the main objective to ensure long-term sustainable performance. Integrating ESG considerations is a material aspect for portfolio managers as it enables them to better evaluate the risk-return characteristics of public stocks and achieve long-term value.

Given the overwhelming wealth of public data available, the OIM Global Equity teams use customized in-house-built solutions* that provide them with ESG metrics for analysis.



Integrating ESG factors into analysis of listed equity investments is the most widespread responsible investment practice in the market today. Several drivers, including capital flowing into funds that integrate ESG factors and the growing awareness of academic research supporting the benefits, are encouraging more and more investors to practice ESG integration.



—A Practical Guide to ESG Integration for
Equity Investing by PRI

*Some examples of these tools include the carbon footprinting analyzer outlined in section 4 and the ESG dashboard illustrated in section 5 of this report.

CASE STUDY

Corporate governance factors are an example of the valuable ESG-related information being considered by our global equity teams. One specific issue flagged by our in-house-built ESG dashboards is the growing prevalence of dual-class share structures, particularly amongst tech conglomerates.

Dual-class share structures are a source of caution because of the potential risks that such ownership arrangements pose to common shareholders. This is due to the discrepancy between control and economic ownership, which can reduce accountability and disincentivize good governance practices within a business.

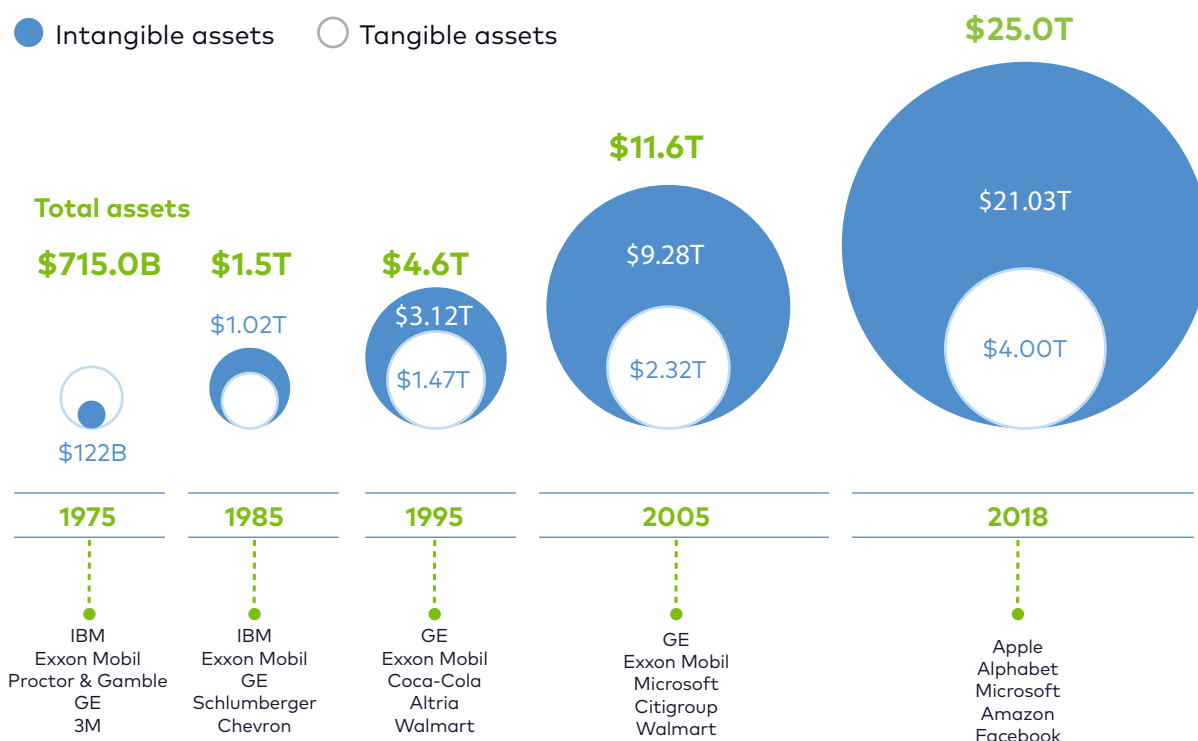
Dual-class share structures are a governance issue of primary relevance for companies listed as intangible, which happen to make up 84% of the S&P 500. This includes tech conglomerates such as Amazon and Apple, which have grown rapidly and now dominate the S&P 500. Given the dominance of tech companies on the stock market, governance issues regarding dual-class share structures can impact company valuation, and are therefore considered by our investment teams prior to investment.

Companies with dual-class share structure offer certain shareholders superior voting rights compared to common shareholders. Often, founders and top executives are holders of the more powerful shares and this typically allows them to control boardroom decisions.

TANGIBLE ASSETS VS INTANGIBLE ASSETS FOR S&P 500 COMPANIES

1975–2018

● Intangible assets
 ○ Tangible assets



5 LARGEST GLOBAL COMPANIES BY MARKET CAP

FIXED INCOME

There is a growing case for ESG integration in sovereign bond investment, with the global financial crisis reminding investors of the limitations of conventional thinking, and academic and industry research increasingly identifying relationships between ESG factors and sovereign bond risk and pricing

—A Practical Guide to ESG Integration in
Sovereign Debt, by PRI

The OIM Fixed Income Team invests in government, corporate and municipal bonds and mortgage backed securities (MBS) with the objective of meeting or exceeding the fixed income benchmark's return over the short-term. As with public equities, integrating ESG considerations can have a material impact on the investments of these securities.

Thanks to a multi-step ESG assessment process, fixed income investment officers can make more informed investment decisions to better evaluate the risk-return characteristics of fixed income securities.

THE ESG ASSESMENT PROCESS INCLUDES:



MONITORING current portfolio holdings, as well as potential investment opportunities, with an ESG coding system that was introduced in 2019 based on data from Bloomberg.



ANALYZING credit insights from reputed ESG data sources to develop portfolio recommendations.



INCORPORATING the World Bank's Worldwide Governance Indicators and built-in ESG spread metrics to assist in the analysis of Emerging Markets securities.



CONCENTRATING efforts to ensure significant investment in green bonds, as well as monitoring the performance of their underlying projects.

CASE STUDY

Since 2008, the Fixed Income Team has taken a proactive approach to investing in green bonds. In 2019, social and sustainable bonds were also added to their portfolio.



GREEN BONDS

The proceeds of green bonds are exclusively applied to finance and / or re-finance climate-related or environmental projects. These bonds are evaluated to ensure the alignment of the bonds with the Green Bond Principles.

Funded projects include: solar array, wind farm



SOCIAL BONDS

The proceeds of social bonds are exclusively applied to finance or re-finance new and / or existing eligible projects with positive social outcomes. These bonds are evaluated to ensure the alignment of the bonds with the Social Bond Principles.

Funded projects include: affordable housing, access to health services



SUSTAINABLE BONDS:

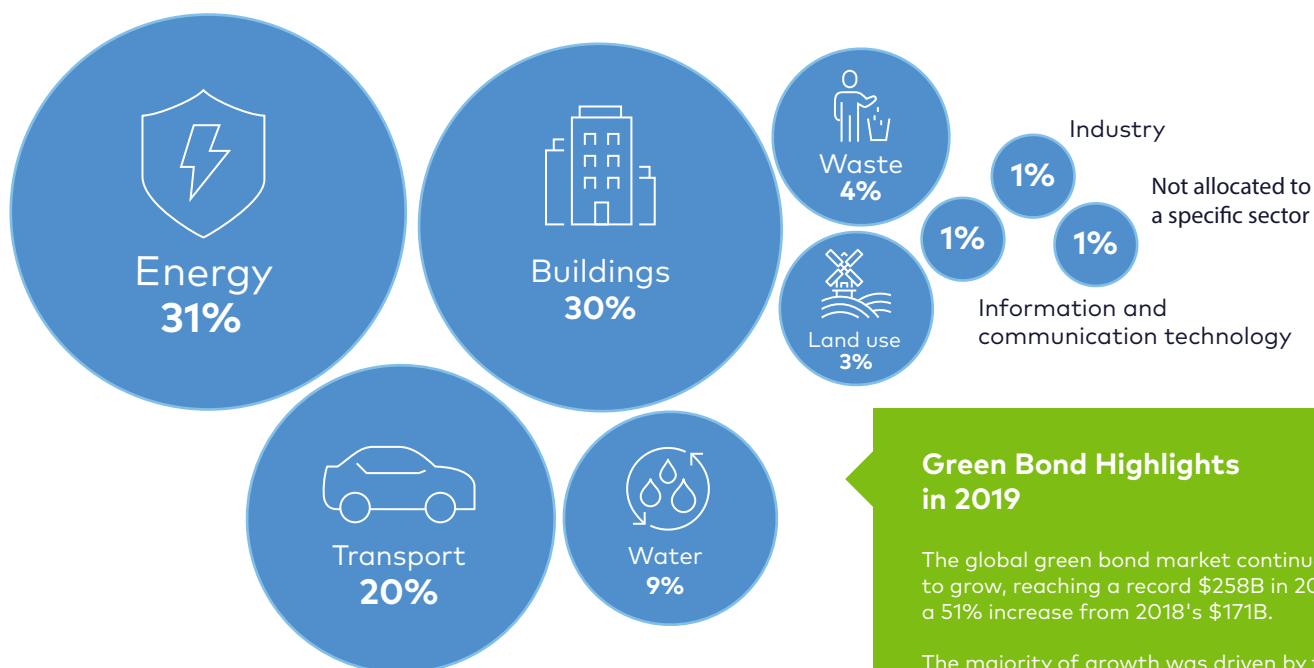
The proceeds of sustainable bonds are exclusively applied to finance and / or re-finance a blend of both green and social projects. Sustainability Bonds are aligned with the four core components of both the Green Bond Principles and Social Bond Principles.

Provides funding to: projects that contribute to the SDGs

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Global Green Bond Market, by Sector

Global issuance of green bonds reached \$258B in 2019



Green Bond Highlights in 2019

The global green bond market continues to grow, reaching a record \$258B in 2019, a 51% increase from 2018's \$171B.

The majority of growth was driven by the European market, which accounted for 45% of global issuance.

PRIVATE MARKETS

ESG factors play a material role in identifying opportunities and hedging risks in private markets. Their integration requires a due diligence process that should be adapted to the unique nature of each private market. OIM has applied a process that prioritizes active dialogue, analysis of material factors and a review of a target fund manager's internal processes across all private market asset classes including private equity, real estate and real assets.

The following due diligence process has been implemented by the OIM Sustainable Investing Team (SIT) in collaboration with the OIM private market teams.



SOURCING

The SIT collaborates with the OIM private market teams to research and recommend funds with leading ESG and sustainable investing policies. The respective OIM private market team remains the primary manager of sourcing deals.



FIRST-STAGE REVIEW

The SIT conducts a preliminary evaluation of target funds recommended by the respective private market team. This includes identifying key material ESG factors and reviewing the fund's commitment to industry-accepted sustainable investing standards, such as PRI (and GRESB in the case of real estate and real assets).



3



COMPREHENSIVE DUE DILIGENCE

The SIT conducts an independent, comprehensive evaluation of the fund's ESG performance and ESG risk exposure to assess if and how sustainable investing principles are being implemented. This includes a review of their sustainable investment policies, case studies and third-party evaluations on the General Partner's (GP's) sustainable investing practices. Next, the SIT reviews answers to the OIM sustainable investment due diligence questionnaire and does a deep dive into their portfolio to understand the current and past composition of their investments. This includes reviewing third-party reputational risk data, mapping investments to relevant materiality factors as determined by SASB, and meeting with the fund to discuss areas of concern. The goal is to understand how the manager identifies and assesses ESG risks and opportunities, as well as to seek assurances that they will be able to manage future ESG risks within an investment.

4



FEEDBACK

When there is a strong investment case but an unsatisfactory sustainable investing policy, the SIT identifies actionable improvements that the fund can take to improve its sustainable investing practices and engages with them to encourage their adoption.

OIM's sustainable investment due diligence questionnaire (DDQ)

The sustainable investment DDQ is an important tool used to evaluate target funds for inclusion in OIM's portfolios. It includes 20 to 30 ESG-focused questions centered around:

- ESG prioritization and integration efforts
- How the fund identifies and responds to material ESG factors
- Which ESG-led entities they report to, such as the Principles for Responsible Investment (PRI)

5



INVESTMENT RECOMMENDATION

The SIT prepares a summarized write-up of its evaluation to include in the second-stage investment memorandum to the PMC.

6



MONITORING AND REPORTING

The SIT contributes to the respective private market team's periodic review of the funds by highlighting any new sustainable investment-related issues, including potential mapping of underlying portfolio company investments to ESG, SDG or other relevant factors.

Additionally, each private market team proactively engages General Partners on material ESG issues and ensures adherence to the agreed-upon ESG guidelines and reporting framework.

PRIVATE EQUITY

The Private Equity Team has integrated the sustainable investing process into each of its prospective investments. OIM believes that ESG risks and opportunities are fundamentally important to manage in a private equity portfolio due to the relatively lower levels of regulation and transparency when compared to public equities.

The companies the GP-managed fund considers investing in are held to high ESG standards and the process involves strict selection criteria. The investment decision-making process for private equity includes close steps of coordination with the SIT at all stages to ensure we select GP fund managers that are well aware of the integration of ESG factors.

“In the private equity market, Limited Partners (LPs)—who are stewards of capital—have a fiduciary duty to ensure that committed capital is managed appropriately and in line with their interests & policies. To that end, responsible investment is a systematic approach to evaluate and integrate material ESG risks, opportunities and issues into asset selection & ownership and portfolio construction.”

—PRI Technical Guide for
Limited Partners: Responsible
Investment in Private Equity



CASE STUDY

In 2019, the Private Equity Team invested in a European buyout fund with investments in mid to large-sized companies. A significant draw to this firm is its robust commitment to ESG across its investment decision-making process. It strives to make a positive impact and integrates responsible investment and ownership principles into every investment, from start-ups to mature companies, for the benefit of fund investors, shareholders and the wider society.

The firm's portfolio holdings include a leading provider of products that enable safe, low-carbon and accessible public rail transportation. Rail emits 92% less CO2 per passenger km than aviation and this portfolio company also has a ~60% emissions reduction potential for internal air freight from improved logistics planning. Enhanced production design such as increased use of lightweight parts and modularity will further reduce climate impact and waste, as well as improve recyclability. The wider portfolio also includes an investment in a leading supplier of sustainable, model-informed

drug development and decision support solutions that help bring lifesaving drugs to market quicker and at lower cost.

The firm has set organization-wide targets for all investments. This includes concrete goals set within the dimensions of diversity, skill building and environmental sustainability to accelerate the system-wide transformation needed to achieve a resilient and regenerative economy and society. For diversity and skill building, a goal was set requiring that at least 25% of independent board members appointed by the funds should be female. The long-term aspiration is to achieve an equal gender balance across the boards of the funds' portfolio companies. For environmental sustainability, the firm has decided to support portfolio companies in the transition to renewable energy sources in their direct operations.

Going forward, the OIM Private Equity Team will continue to make concerted effort to find best-in-class funds that promise long-term sustainable value creation.

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REAL ESTATE

35% of REITs' properties are exposed to climate hazards. Of these, 17% of properties are exposed to inland flood risk, 6% to sea level rise and coastal floods and 12% to hurricanes or typhoons. Successful ESG programs enable real estate portfolios to better identify and manage risks, particularly those posed by climate change, and make more informed investment decisions based on their findings.

—The Business Case for ESG
in Real Estate by GRESB

Our Real Estate Team has made investments in properties around the world. Given the rising impact of climate change on real estate markets they embraced sustainable investment principles throughout their investment process to actively address these risks. The team is confident that these principles will contribute to better climate-risk management and long-term performance.

ESG factors also provide the team with greater information around relevant material risks and opportunities to factor into asset acquisition. The SIT has developed a due diligence process for real estate that considers the unique material risks and opportunities that are posed to this asset class.

The process includes close steps of coordination with the real estate team at all stages. In addition to ensuring external investment managers are signatories of PRI, the SIT also ensures that they are members of GRESB, a comprehensive ESG benchmark for real assets.

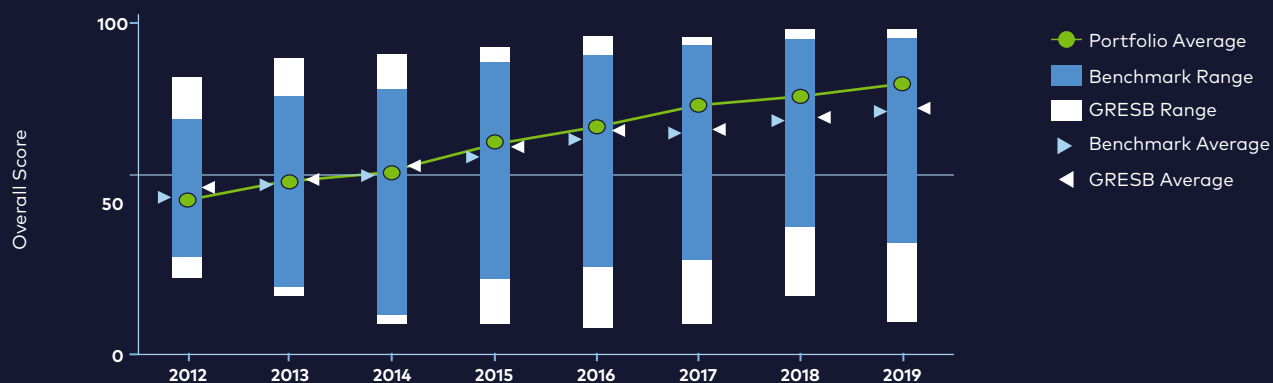
DEFINING THE REAL ESTATE INVESTMENT TRUST (REIT)

REITs are companies that own or finance income-producing properties. Investing in REITs can provide a steady stream of income in the form of dividends.

To qualify as a REIT, a company must:

- Invest at least 75% of its total assets in real estate
- Derive at least 75% of its income from property rents, interest on mortgage financing, or from sales of real estate
- Pay at least 90% of its taxable income in the form of shareholder dividends each year

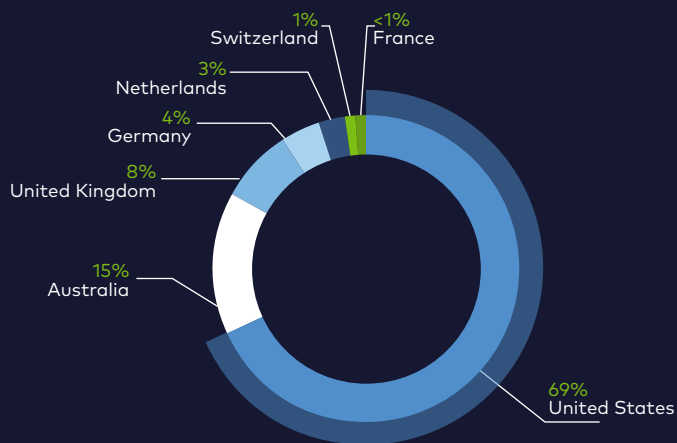
OIM is collaborating with the Global Real Estate Sustainability Benchmark (GRESB) to monitor ongoing real estate investments. Our performance against the GRESB benchmark is shown below.



OIM Real Estate Portfolio Parameters

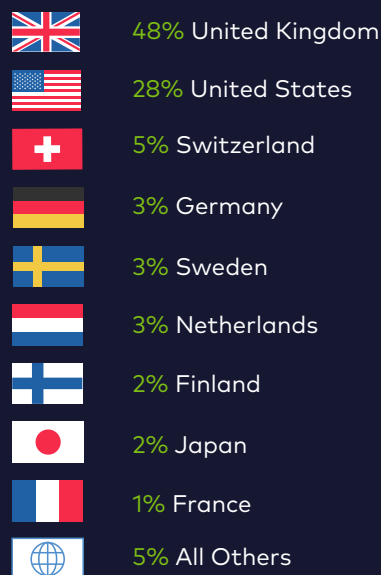
Below is data representing OIM's real estate portfolio parameters

OIM REAL ESTATE PORTFOLIO

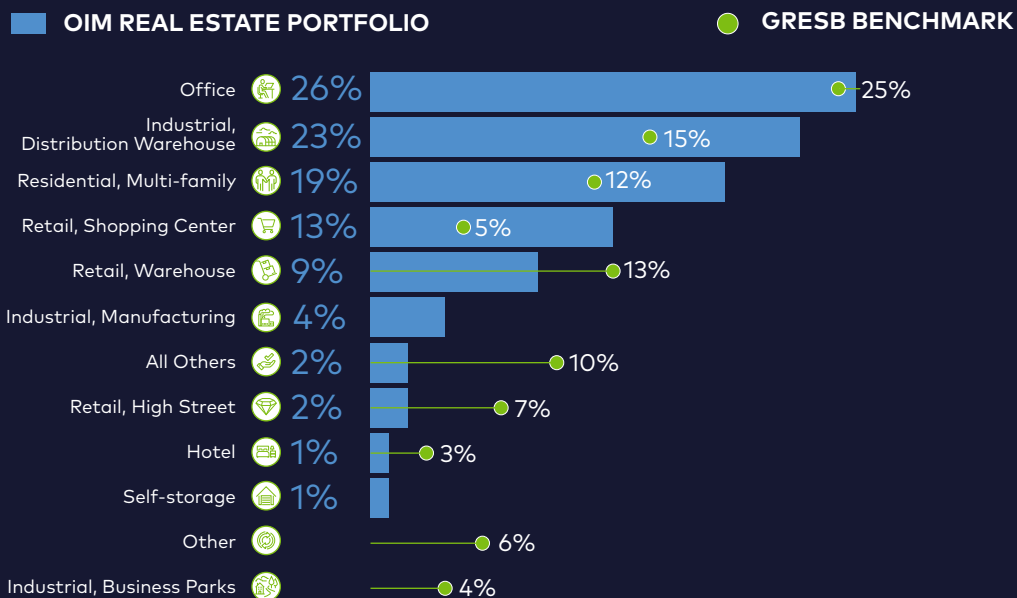


Percentages may not sum to exactly 100% due to rounding from the nearest tenth place.

GRESB Benchmark



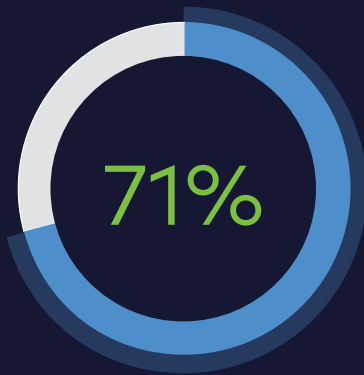
SECTOR BREAKDOWN



REAL ESTATE ESG BREAKDOWN

GRESB Score

GRESB Scores are an overall measure of ESG performance, represented as a percentage (100% maximum). GRESB Scores gives us quantitative insight into the ESG performance of our assets in absolute terms, over time and against our peers.

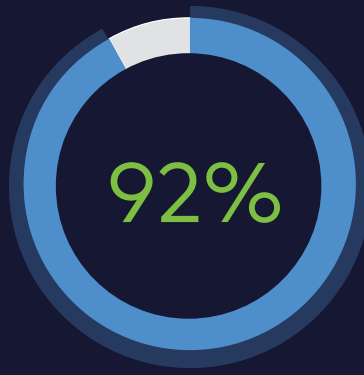


ENVIRONMENT



GRESB Average 65

Benchmark Average 60

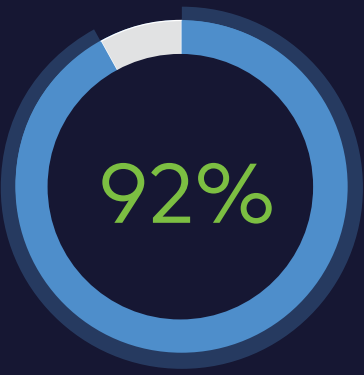


GOVERNANCE



GRESB Average 84

Benchmark Average 91



SOCIAL



GRESB Average 79

Benchmark Average 82

Impact of Change (like-for-like between 2017-2018)

The following impact data is based on the underlying holdings of OIM's real estate investments.

Energy Consumption Reduction

8,228 MWh



Equivalent of:

675 Homes

GHG Emissions Reduction

8,272 TONNES



Equivalent of:

1,749 Automobiles

Water Use Reduction

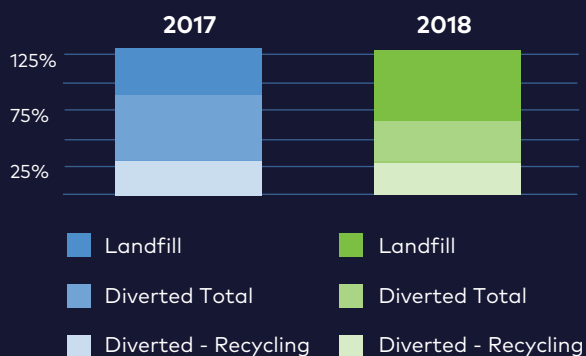
570,740 m3



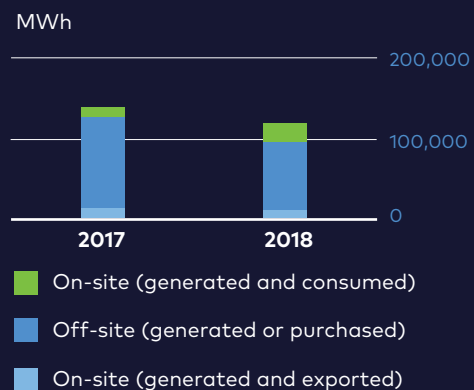
Equivalent of:

228 Olympic Swimming Pools

Waste Management



Renewable Energy



Source: GRESB, 2019 (Most recent data available)

CASE STUDY

The OIM Real Estate Team made repeated investments in a leading multifamily residential real estate fund that demonstrates a commitment to sustainable, high-quality properties. One such property, based in the United States, is a standing example due to its commitment to sustainable design and construction, as well as its dedication to enhancing the wellbeing of its tenants. 77% of the property's construction waste was diverted from landfills in 2019, and its operation includes intentional components of energy efficiency, water conservation, green transportation and health and wellbeing.

A unique feature of the community is the integration of a 28.80kW solar array that generates an estimated 42,300 kWh of electricity. It is estimated that the solar energy produced saves 29.9 metric tons of CO2 annually, the equivalent of 69.3 barrels of oil, or GHG emissions from 6.4 passenger vehicles driven for one year. The project has also earned the EarthCraft Multifamily certification, a multifamily property-specific green building program, and the Fitwel certifications, a leading standard focused on a property's tenant health and wellbeing.

The Real Estate Team continues to identify significant ESG-related opportunities and risks associated with prospective investments, and will work to not only increase, but diversify impact through other sustainable investments in the coming year.

Mention of any firm, product, or service in this report does not imply endorsement or criticism of such firm, product, or service by the United Nations

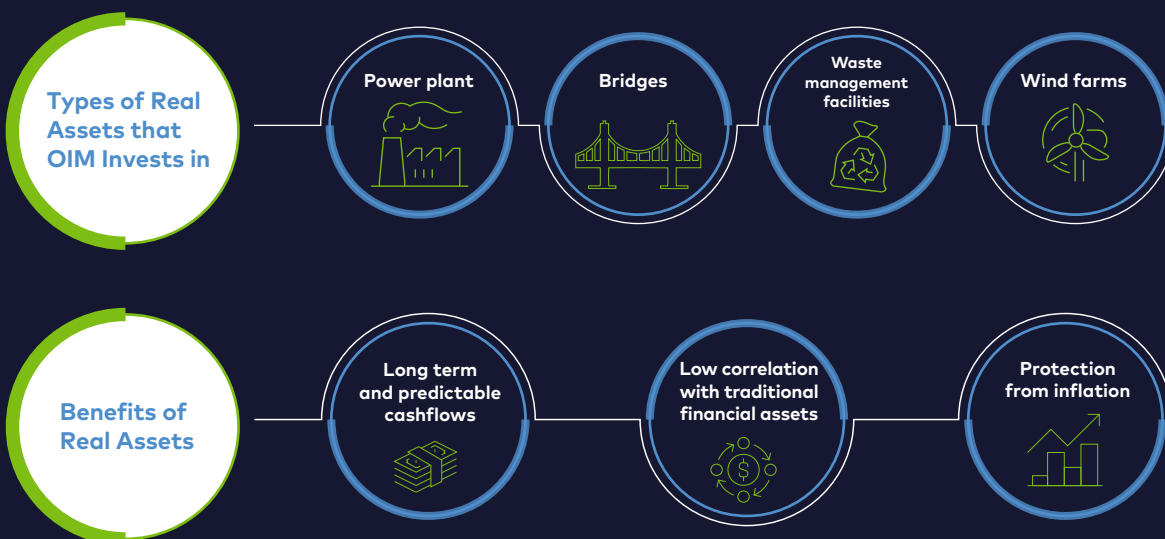
REAL ASSETS

The OIM SIT streamlined a due diligence process in 2019 to formerly evaluate the material ESG risks and opportunities that real assets face.

Sustainability is especially critical when investing in real assets due to their physical nature and the long holding periods required. The process requires close coordination with the Real Assets Team, and encompasses areas such as the environment, social capital (such as health and safety), human capital (such as labor and human rights), business integrity (such as operations and long-term resilience) and corporate governance.

The SIT will also ensure that every external investment manager is a signatory of the PRI and a member of GRESB. As GRESB evolves its real assets capabilities and OIM grows its real asset portfolio, we look forward to having more robust information on the GRESB performance of our investments.

Real assets present a compelling opportunity for further portfolio diversification:





CASE STUDY

In 2019, the OIM Real Assets Team made investments in several global funds that invest in energy infrastructure assets primarily in developed countries. A compelling characteristic of one of these funds is the active management and positive impact of its projects across ESG categories.

An example of this activity is the fund's investment in a highly efficient, sustainable waste management facility in Europe, with measurable benefits including the diversion of 600,000 metric tons of non-recyclable waste from landfills along with the generation of clean, renewable energy. The fund has also made concerted efforts to involve local communities with its projects, including a 100MW+ wind farm in Mexico where the consultation and approval of local indigenous communities was achieved.

Going forward, our Real Assets team is looking to increase and diversify impact through other sustainable investments.

Please refer to page 62 and 73 on our plans for further engaging with fossil fuel companies and projects, as well as our commitment to offset emissions in our portfolio.

"Real asset owners and managers face a growing demand from investors to understand and manage climate risk and resilience. As long-term, often illiquid investments, real assets are particularly exposed to climate-related transition, physical, and social risks. They cannot be moved, and they are tightly interconnected with potentially vulnerable energy systems, infrastructure, and social conditions."

—Resilient Real Assets, by GRESB





Our Strategic Climate Commitment





OVERVIEW

As a pension fund, it is our fiduciary duty to protect the long-term financial interest of our beneficiaries. Due to our long-term investment horizons and liabilities, we are vulnerable to the financial impacts of climate change through transition and physical risks. As codified in the Paris Climate Agreement and in the United Nations Sustainable Development Goals, we have a key role to play in catalyzing decarbonization of the global economy and investing in climate resilience. The following summarizes the key activities we have taken to incorporate climate risks and opportunities into our investment decision making.

UNDERSTANDING CLIMATE-RELATED RISKS

Climate-related risks can be broken down into two categories.

Transition risks

occur as the world moves towards a less polluting, greener economy.



EXAMPLE Substitution of existing technologies for lower emissions options

Physical risks

are the direct risks from climate change.



EXAMPLE Increased severity of extreme weather events

POTENTIAL FINANCIAL IMPACT



Write-offs and early retirement of existing assets



Research and development (R&D) expenditures



Exposure to litigation



Disruption to supply chains



Damage to facilities



Increased insurance premiums

THERMAL COAL DIVESTMENT

On September 23, 2019, OIM made a commitment to divest from publicly traded companies in the coal energy sector before the end of 2020.

Additionally, as part of this commitment, OIM shall not make any new investments in the coal energy sector across all asset classes.

As a source of energy, coal is becoming less economically viable and poses a financial risk to our portfolio, especially as the costs of renewable energy are predicted to undercut commissioned coal by 2030. This strategy will also contribute to creating a global energy system scenario consistent with the 2015 Paris Agreement and to reaching the 2015 United Nations Sustainable Development Goals (SDGs). At the portfolio level, this action will also help OIM hedge against the negative outlook of the coal industry as well as the significant stranded assets risk that the industry poses.

The OIM SIT completed a rigorous analysis to determine the optimal structure of financial divestiture from thermal coal by the end of 2020. This included a scenario analysis to determine the threshold of a company's thermal coal-derived revenue before divestment and exclusion will take place. This divestment is consistent with our fiduciary responsibility of securing the financial future of our participants and beneficiaries and represents another step towards maintaining a robust risk-return profile of our investments over the long-term. Thermal coal joins the OIM's already excluded sectors of tobacco and controversial/conventional weapons, and when combined with a comprehensive engagement strategy, will help us achieve our sustainable investing objectives.



SINCE 2010, THE COST FOR RENEWABLE ENERGY TECHNOLOGIES HAS REDUCED SIGNIFICANTLY

Source: Bloomberg



Solar

▼85%



Wind

▼49%



Battery Storage

▼85%



MANAGING CLIMATE RISK IN PUBLIC EQUITY INVESTMENTS

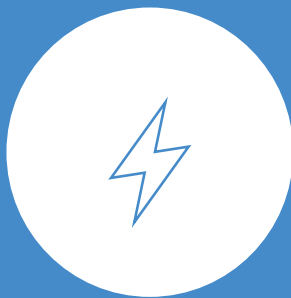
In 2014, OIM signaled its commitment to a low carbon strategy through a passive investment in low carbon exchange-traded funds (ETFs).

This was a significant milestone after increasing the size of our green bond portfolio in 2008. Our partnership with a climate advisor in November 2018 was an even greater step towards the evolution of a more robust climate strategy.

In 2019, we began taking a more active approach to sustainability by applying E-scores from a leading climate data provider to evaluate climate change transition risk and achieve greater sustainability for the Fund's investments. E-scores rely on highly sophisticated climate and energy simulation models to assess companies' ability to adapt to various carbon emission scenarios. The assignment of nonfinancial "E" scores will be used as an input factor in our proprietary ESG supporting technology that aids in investment decision-making for public equity investments. The SIT has developed a model portfolio to reflect the E-scores and carbon footprint reporting as part of our balanced soft divestment coping strategy.



HOW IT WORKS



Energy economics

+



Alternative climate scenarios

+



Traditional financial data

To evaluate risk and return exposures related to climate change, this methodology blends energy economics and alternative climate scenarios with traditional financial data. As a starting point, the team uses climate forecasting to make a prediction of a company's transition risk.

A formal value of transition risk is then calculated using E-scores, which take macroeconomic factors and multiple climate scenario analyses into account. This risk analysis can capture current and future energy transition trajectories at both a company and asset level.

This methodology can be combined with traditional carbon footprint analysis, which aggregates direct and indirect emissions to show the realized carbon footprints of the company and/or asset at a given time.

Traditional carbon footprint analysis provides insight on where an asset currently sits on the carbon meter, whereas E-scores indicate which direction an asset is moving based on its energy transition trajectory.

CARBON FOOTPRINTING

While we do not manage our carbon footprint to a numerical target, we have developed our climate-related capabilities to safeguard our portfolios' long-term returns.



In 2019, we undertook an analysis to determine the total carbon footprint of the OIM global equity portfolio in terms of metric tons of greenhouse gas (GHG) emissions.

This exercise relied on carbon metrics provided by a leading data provider for company emissions, which includes scope 1 emissions, scope 2 emissions, scope 3 emissions, and scope 1+2 emissions intensity. Scope 1, 2, and 3 emissions are reported in metric tons of GHG emissions for each company, while scope 1+2 emissions intensity is reported in metric tons of GHG emissions normalized by sales in USD.

Definition of scope



SCOPE 1

Emissions include direct emissions from owned or controlled sources.



SCOPE 2

Emissions include indirect emissions from the generation of purchased energy.



SCOPE 3

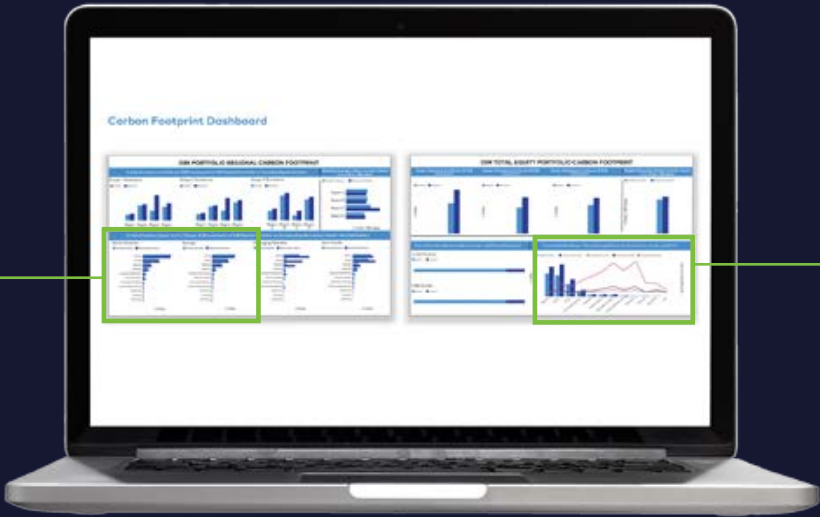
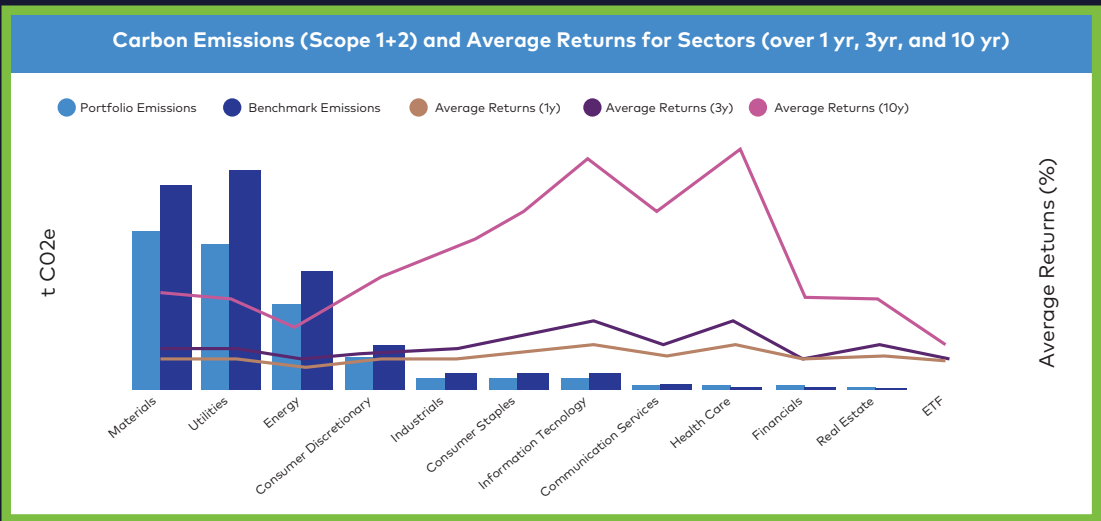
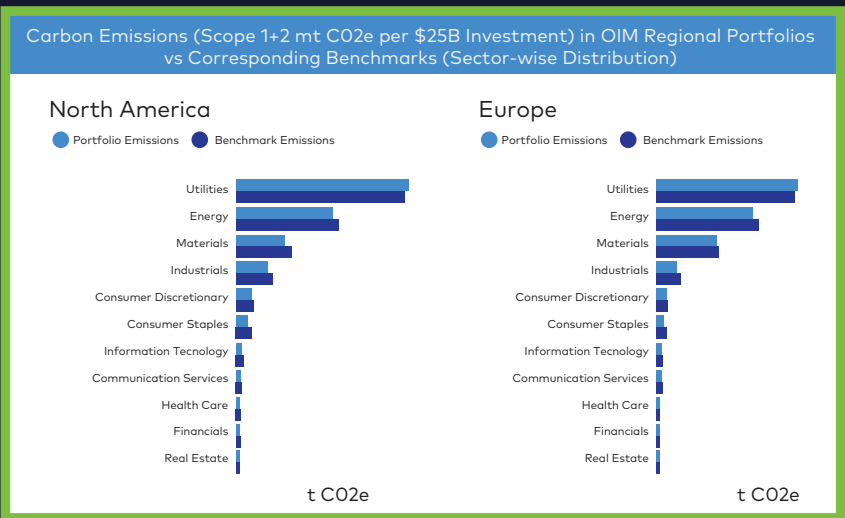
Emissions include all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions.

We interpreted the total emissions of each company using this data and then calculated our exposure to each company to determine how our investments contribute to the overall emissions of the company. After calculating carbon emissions corresponding to our holdings in each company in our portfolio, we aggregated these emissions based on each company's weight in our portfolio to arrive at our total carbon footprint. The final step is to compare our fund's carbon footprint against that of the respective benchmarks at both the regional and total equity portfolio levels.

Source: GHG Protocol

Carbon Footprint Dashboard

Below is a mockup of our climate dashboard capabilities. Please note that these examples are illustrative and do not reflect actual figures of our portfolio:







WHAT'S NEXT

In 2019, OIM made great strides towards constructing a robust climate strategy. The following steps will be taken in 2020 to solidify OIM's Climate Strategy for the UNJSPF:



Actively excluding thermal coal from our portfolio



The adoption of recommendations of the Financial Stability Board (FSB) Task Force on Climate-related Financial Disclosures (TCFD) to implement climate-related financial disclosure reporting for the assets managed by OIM



Joining the UN-convened Net-Zero Asset Owner Alliance



Defining and implementing the approach towards Net-Zero 2050 carbon footprint

Implementing the TCFD's recommendations will aid OIM in identifying and disclosing material climate-related risks and opportunities to its stakeholders. TCFD's framework for disclosure has been widely acknowledged and adopted across the industry, giving us confidence in its consistency and efficacy.

Joining the Net-Zero Asset Owner Alliance will give OIM access to best-in-class knowledge from peers on Paris-aligned climate finance change and will help enhance our sustainable investing approach to convert our assets to carbon neutrality by 2050. These additions will be integral parts of OIM's continued efforts to expand its climate change strategy and forms an important pillar of our sustainable investing approach.



Innovation



SUSTAINABLE DEVELOPMENT GOALS (SDGs)



In 2019, OIM collaborated with top academics and a leading artificial intelligence platform, Global AI Co, to analyze the linkages between ESG metrics, alpha generation* and the SDGs.

The result is the first paper to investigate the SDG footprint of an active portfolio using algorithms and alternative data provided by Global AI Co. First, we explore whether utilizing ESG factors to enhance the Morgan Stanley Capital International (MSCI) US index is feasible. By constructing a sector-neutral portfolio derived from MSCI ESG momentum scores from 2013 to 2018, we determine that it is feasible to generate positive alpha from an ESG momentum strategy. Second, we utilize artificial intelligence algorithms (AI), including natural language processing (NLP) and machine learning (ML), to scrape, measure and classify structured and unstructured data to determine a company's SDG footprint.

COVID-19 affirms the critical importance of sustainability and delivering on the UN SDGs.

SDGs are also emerging as the new standard to measure the sustainability footprint of investable assets, companies and countries. This research shows that the SDG footprint of an ESG momentum portfolio is relatively greater when compared to the SDG footprint of the MSCI US index. Third, we establish a positive contemporaneous connection between the sample portfolio's ESG rating change and coinciding SDG footprint over the sample period. Finally, we conclude that a positive linkage exists between ESG, alpha, and the SDGs.

To access the SSRN paper, please **click here**. OIM will build on this initial research and aim to develop a UN SDG reporting metric in collaboration with other likeminded leading pension funds, academics, NGOs and specialized ESG boutique firms.

* Alpha generation refers to the generation of excess returns without additional risk from a security or investment.



**SUSTAINABLE
DEVELOPMENT
GOALS**

**NO
POVERTY**



**ZERO
HUNGER**



**GOOD HEALTH
AND WELL-BEING**



**QUALITY
EDUCATION**



**GENDER
EQUALITY**



**CLEAN WATER
AND SANITATION**



**AFFORDABLE AND
CLEAN ENERGY**



**DECENT WORK AND
ECONOMIC GROWTH**



**INDUSTRY, INNOVATION
AND INFRASTRUCTURE**



**REDUCED
INEQUALITIES**



**SUSTAINABLE CITIES
AND COMMUNITIES**



**RESPONSIBLE
CONSUMPTION
AND PRODUCTION**



**CLIMATE
ACTION**



**LIFE
BELOW WATER**



**LIFE
ON LAND**



**PEACE, JUSTICE
AND STRONG
INSTITUTIONS**



**PARTNERSHIPS
FOR THE GOALS**



ENHANCED REPORTING + PORTFOLIO MANAGEMENT

Automated ESG Assessments Dashboard Tools



In 2019, OIM built proprietary quantitative dashboards that work as automated ESG assessment tools for each regional equity portfolio.

They are built with the latest data sourcing capabilities and allow investment officers to analyze and evaluate ESG metrics in real-time. They also enable all investment teams to perform both fundamental and ESG analysis simultaneously to improve efficiency in their investment decision-making processes.

The dashboards include three types of data: positions data, fundamental data and alternative data such as ESG data. Datasets are sourced from seven different data vendors and cover all securities in the relevant benchmarks for each region. The various factors available via the dashboards are ESG metrics, reputational risk, climate risk data, ESG materiality factors, political risk profiles, internal ESG research.

REGIONAL PORTFOLIO ANALYSIS

Allows managers to do a deep dive into specific geographic regions

CALCULATE

- ESG annual delta momentum for MSCI ESG
- ESG scores for each holding and respective industry

Allows managers to:

- Monitor how a company is trending on specific ESG issues
- Compare company ESG performance with its industry peers

ENTELEGENT SMART CLIMATE PREDICTIVE SCORING

Allows managers to integrate the risk and opportunities presented by climate change

ASIA

EMERGING MARKETS

LATAM

NORTH AMERICA

EUROPE

Risk Score	Company	Current ESG Rating	Previous ESG Rating	NLP ESG Score	Absolute Stock ESG Momentum				Absolute Peer ESG Momentum				E-Score (AI)	ESG COMMENTARY
					E	S	G	Total ESG	E	S	G	Total ESG		
4	1	A	A	A	6%	4%	5%	8%	9%	4%	0%	8%	4-E	The company's rating is unchanged at 'AA'. There is a slight change in the company's performance on key environmental indicators (primarily related to greenhouse gas (GHG) emissions) during the 2018-2019 period. Furthermore, its three year average GHG remains lower than its peer group as of April 2019.
0	2	AA	AA	AA	3%	2%	0%	-5%	8%	6%	6%	10%	2-E	The company's rating is unchanged at 'BBB'. Its governance practices continue to raise concerns for the public shareholders. The company separated the CEO/Chairperson roles, and has revamped its board with about 83% new members serving on the board for less than two years, but continues to have a board member who was previously imprisoned for corruption charges.
2	3	BB	BB	BB	0%	0%	2%	7%	-2%	3%	9%	27%	5-E	The company's rating has been upgraded to 'A' from 'BBB'. The company introduced new policies in 2018 related to ensuring user data privacy after criticisms and previous concerns on data security dating back to 2015. In 2019, the company put these policies into practice and has increased customer confidence.
2	4	B	B	B	-1%	2%	5%	27%	40%	0%	1%	-7%	2-E	The company's rating is unchanged at 'B'. The company appears to maintain fairly standard policies to mitigate its exposure to potential labor management challenges and risks to data privacy violations. However, it continues to lag peers in adopting best practices for corporate governance, especially related to board structure.
7	5	CCC	CCC	CCC	9%	6%	5%	27%	9%	8%	1%	-20%	1-E	The company's rating has been upgraded to 'BB' from 'B'. Concerns of a data breach at a subsidiary company are unfounded and serve to highlight the strong cybersecurity infrastructure. Additionally, a recent third party audit of the company's labor practices reveals new comprehensive protocols in place that improve worker protection after past controversies.

For illustrative purposes only.

RESEARCH

ESG Signal Research

We undertook ESG-related research in 2019 with the purpose of supporting our investment officers to make more informed investment decisions. Our ESG signal research capabilities are based on a quantitative and qualitative framework.

QUANTITATIVE

We determine which data vendors are most reliable, reputable, and follow a strong ESG methodology. If the corresponding ESG factors have any causal relationship with equity performance, then we source those ESG metrics from the vendors.



We run empirical analysis using academically recognized quantitative techniques to determine which ESG metrics are material for the financial performance of companies based on their regions, sectors, and industries. This analysis helps us identify the relative importance of different ESG metrics across those parameters.



We perform historical analysis to identify the trends in the performances of different ESG factors in different market regimes.



Once an ESG factor has passed our rigorous quantitative analysis, we add it to our quantitative dashboard and present our findings to the corresponding investment teams.

QUALITATIVE

We perform qualitative ESG analysis using our different ESG metrics and present our findings to the investment officers to aid them in making better investment decisions.



Such analyses may include case issue analysis on any recent ESG risk issue on any company and identifies the various ESG risks and opportunities for the company.



We analyze the latest ESG commentary from multiple data providers on every security in our portfolio.







Active Ownership



ENGAGEMENT

We believe that engagement, through an effective and productive dialogue with company management, can positively affect corporate behavior and result in effective change consistent with our overall approach to sustainable investing. An active sustainable voting policy combined with a consistent engagement approach creates more effective and sustainable impact.

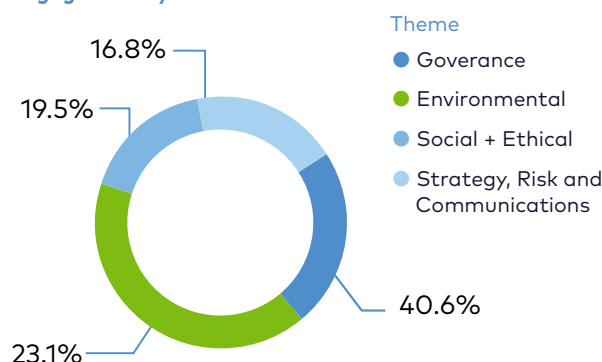
Engagement by Equity Portfolio



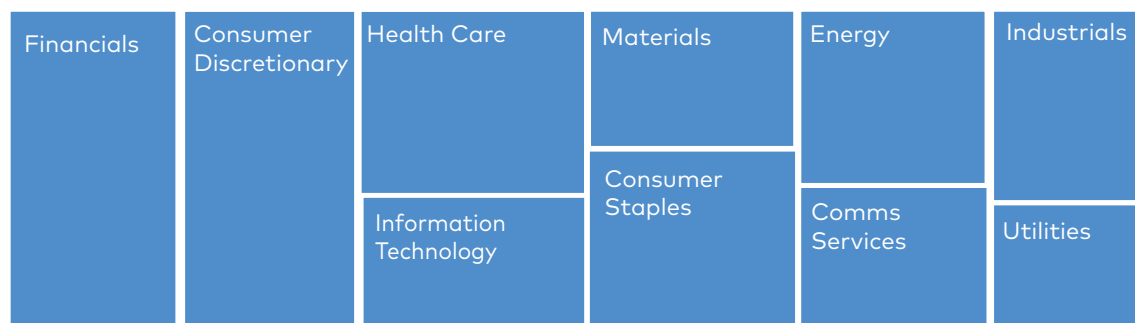
UNJSPF Engagement Sub-Themes



Engagement by Themes



Engagement by Sector





EXTERNAL ENGAGEMENT

In July 2019, we contracted Hermes EOS to facilitate our collaboration with other institutional investors in engagement activities related to holdings in the internally managed equity portfolios. Partnering with Hermes EOS was a natural fit for OIM since we believe constructive engagement with a company's management, in collaboration with other institutional investors, can enhance our sustainable investing goals. This works hand in hand with the OIM's ambition to manage its assets prudently and optimally.

The engagement strategy centers upon engaging on material ESG issues, therefore mitigating risks and increasing the possibility of enhanced returns whilst ensuring the delivery of wider sustainability outcomes.

Together, OIM and Hermes EOS have engaged on ESG issues to mitigate potential future financial and reputational risks, thereby helping us to better discharge our fiduciary responsibility. Both OIM and Hermes EOS are strong advocates of sustainable investment and have developed a framework for integrating Sustainable Development Goals (SDGs).

CASE STUDIES

The following are company-specific examples of external engagement on ESG issues led by our service provider Hermes EOS during 2019.

ESG TOPIC

Environmental - Climate change

OBJECTIVES

- ▶ Encourage companies to set science-based targets, conduct climate-risk stress tests and enhance their disclosures.
- ▶ Link executive pay to the achievement of climate change outcomes and ensure they do not lobby policymakers to hinder the commitment of the Paris Agreement goals.

The 2016 Paris Agreement

The Paris Agreement's central aim is to strengthen the global response to climate change by keeping the global temperature rise this century below 2 degrees Celsius. Further efforts to limit the temperature increase to 1.5 degrees Celsius are being pursued.

SCOPE + PROCESS

Hermes attended six annual shareholder meetings to promote action on the climate crisis:



Mining Company



Oil Major



Utility Company



Three Car Manufacturers

Hermes coordinated the Institutional Investors Group on Climate Change's shareholder resolutions sub-group, which identifies potential companies for climate change-related resolutions, and the utilities sector sub-group, which formulates engagement strategies for the sector.

OUTCOMES

- ▶ The oil major supported a shareholder resolution that Hermes developed which called on the company to set out a strategy consistent with the goals of the Paris Agreement. This had co-filing support from investors owning almost 10% of the company – the largest ever secured for a climate change resolution – and passed with the support of over 99% of shareholders at the 2019 annual general meeting.
- ▶ The utility company announced an ambition to help its customers reduce emissions by 25% by 2030, and to develop a path to net-zero by 2050. This followed long dialogue with the company, including speaking at its annual shareholder meeting for the last four years.

ESG TOPIC

Social – Supply chain human rights

OBJECTIVES

Many companies rely on global supply chains to access labor in low-cost regions, but the fragmented nature of these chains heightens the risk of human rights abuses. Traditional, announced audits may not uncover issues – more robust due diligence is needed.

Engagements targeted five key areas:



Forced labor and modern slavery



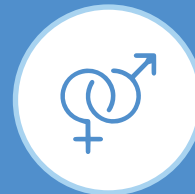
Child labor



Living wages and purchasing practices



Worker voice



Gender-specific issues

SCOPE + PROCESS

Engagement lasted with a company in the agriculture commodity sector in South East Asia for several years following reports in 2012 of poor labor conditions throughout the company's supply chain in West Africa and South East Asia. Concerns were raised in calls and correspondence, during which the company appeared to be responding positively to consider improved disclosure and stakeholder outreach. During a call in 2017, the company committed to disclosing its migrant worker management process in its sustainability report – a significant improvement on transparency. In 2018 and 2019, it was requested that the company adopt industry best practices by reporting in line with the UN Guiding Principles on Business and Human Rights.

OUTCOME

The company strengthened its labor standards and disclosures and demonstrated a proactive approach to addressing supply chain labor issues. It confirmed it would be issuing its first group sustainability policy including labor standards. Subsequently, it began training suppliers on labor standards compliance as part of its commercial contracts and commissioning external audits of its supply chain. It also partnered with a reputable human rights consultant for an assessment of its Liberian operations. The disclosure of audit findings and follow-up action plans have provided greater clarity for investors like OIM on supply chain conditions.



ESG TOPIC

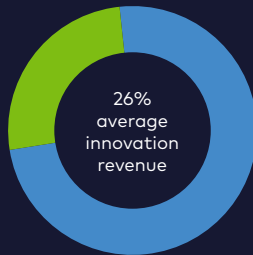
Governance – Diversity

OBJECTIVES

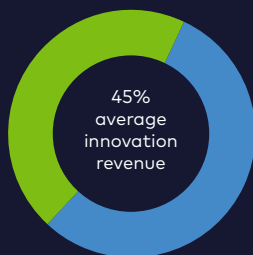
Despite plenty of evidence that diversity improves company performance, progress has been slower than anticipated. OIM seeks balanced boards at companies – composed of directors with the right skills for the strategic needs and direction of the company, as well as a diversity of perspectives. This may span across gender, age, ethnicity, nationality, background, skills, and experience to improve decision-making and avoid groupthink. Assembling a well-rounded board of directors is often the first step towards addressing social or environmental issues to which the company may be exposed.

Companies with more diverse leadership report higher revenues.

Companies with below average diversity scores:



Companies with above average diversity scores:



Innovation revenue refers to the share of revenues that companies have generated from enhanced or entirely new products or services in the most recent three-year period.

Nearly half the revenues of diverse companies come from products and services launched in the past three years, highlighting the positive impact of more diversity on a company's bottom line.

Source: Boston Consulting Group

SCOPE + PROCESS

Engagements were undertaken with an East Asian company that offers a range of services via social media platforms on board diversity to ensure that the leadership team has a suitable combination of talents. The expectation was for its board to have at least one woman director by 2019 and be comprised of at least 20% women by 2020.

In the first quarter of 2019, our engagement provider met the company's senior legal counsel and wrote to the chair to call attention to the amended local governance code, which set higher expectations for the board nomination process and diversity. Recommendations were made on specifying talent search criteria to encourage fairer and non-discriminatory practices, and the company was asked to consider reflecting its customer base when selecting board directors, as a good portion of the company's customers are women.

OUTCOMES

In May 2019, it was confirmed that the company's board had acknowledged that gender diversity throughout the organization should be improved. The company confirmed its commitment towards growing the talent pool for independent directors and expanded its candidate search beyond traditional technology and business backgrounds. In August 2019, the company appointed a female director with a health science background, one of the key areas where the company offers solutions through cloud and innovative technologies.

The company continues to implement its board diversity policy to ensure that the board has an appropriate balance of skills, experience and perspectives. It also strives to ensure that a certain percentage of promotions each year go to younger talent to maintain dynamism.



*"Increasing the diversity of leadership teams
leads to more and better innovation and
improved financial performance."*

—Boston Consulting Group

COLLABORATIVE ENGAGEMENT: CERES CLIMATE ACTION 100+

OIM has been a member of the Ceres Climate Action 100+ since 2019. The goal of this collaborative initiative is to work with the companies we invest in to ensure that they are minimizing and disclosing the risks, as well as maximizing the opportunities, presented by climate change.



“ The scale of support for the Climate Action 100+ resolution sends a clear message that investors expect companies to act on climate change. With the resolution passed, [the company] is now legally bound to set out a strategy to ensure it is aligned with the goals of the Paris Agreement. The company believe they already meet this objective, so it's now down to them to show this is the case. ”

—Stephanie Pfeifer Member of the global
Climate Action 100+ Steering Committee

CASE STUDY

In 2019, a consortium of shareholders led by the investor Climate Action 100+ filed a resolution to this company's board of directors to include in its strategic and corporate reports for the year ending 2019 onwards, a description of its strategy consistent with the goals of the Paris Agreement.

- 1** Oil and gas majors are highly vulnerable to climate change-related policies and regulations, and thus face significant stranded-asset risk.
- 2** Oil spills and other accidents pose serious consequences to both the environment and investors, including fines and damage to reputation.

After intensive engagements with Hermes and Ceres, the resolution passed with 99% approval of shareholders, an unprecedented scale of support. The company is now required to disclose the carbon intensity of its products and report on its efforts to align with the goals of the Paris Agreement.

Actions taken by the company to formally address climate change risks include:



Committing to an emissions target (absolute or relative) for scope 1-2 emissions; and



Establishing initial climate-related targets including a 10% weight in 2019 remuneration for a significant portion of employees and executives.

RECENT PROGRESS

The company's CEO announced in February 2020 that it has now committed to becoming Net Zero by 2050, aiming to cut carbon intensity of products by 50%. The company will begin full reporting of its progress in its next annual report.

PROXY VOTING

OIM's sustainable proxy voting policy references globally recognized sustainability-related initiatives such as the Principles for Responsible Investment (PRI). The PRI advances positive corporate ESG actions which promote practices that mitigate financial and reputational risk.

A sustainable proxy voting policy can create positive impact consistent with our mission and is essential for supporting the best corporate governance, risk management and sustainable business strategies across all our investments. The Fund believes in an effective and productive dialogue with company management, which will ultimately affect corporate behavior and advocate for better outcomes. Our proxy voting guidelines are tailored to the Fund's mission and commitment set forth in the Investment Policy Statement and seeks to promote UN values.

In December 2019, OIM incorporated ESG factors into its proxy voting guidelines. These changes include the following:

Uncontested Director Elections

1. Included the failure to adequately guard against or manage ESG risks as a 'material governance failure'.
2. Added a board gender diversity policy to generally vote AGAINST or WITHHOLD from all incumbent members of the nominating committee if there is not at least one female board member.

Advisory Votes on Executive Compensation

Added a new policy to vote AGAINST management say-on-pay proposals for the following:

- a. Significant misalignment between CEO pay and company performance;
- b. Significant problematic pay practices;
- c. Significant level of poor communication and responsiveness to shareholders;
- d. Percentage of the CEO's performance-based equity pay (LTIP) is less than 33%
- e. CEO pay exceeds 4 times the average NEO pay; or
- f. The magnitude of CEO pay exceeds the 75th percentile of ISS' selected peer group

E&S Shareholder Proposals

1. Replaced the 'Social/Environmental Issues' section from the ISS Sustainability policy guidelines to the ISS Socially Responsible Investment (SRI) guidelines.

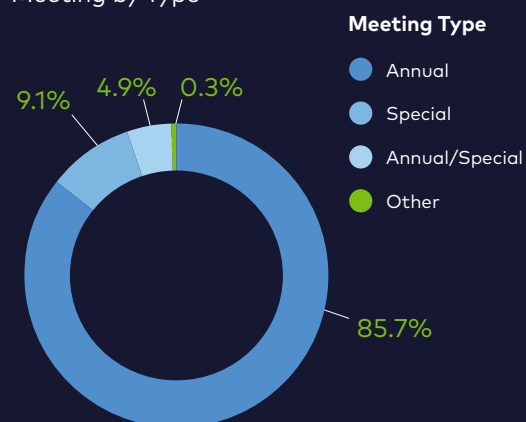
OIM has integrated key proxy voting data into a custom-built reporting tool that allows for real time viewing of these statistics to allow senior management and portfolio managers to better understand voting trends and how our process aligns with our position on key ESG issues. Below is a snapshot of our dashboard where statistics and results can be filtered by date, ESG category, or a specific company.

Proxy Voting Summary for 2019

Voting Statistics Globally



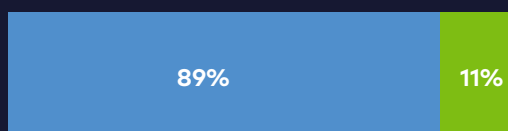
Meeting by Type



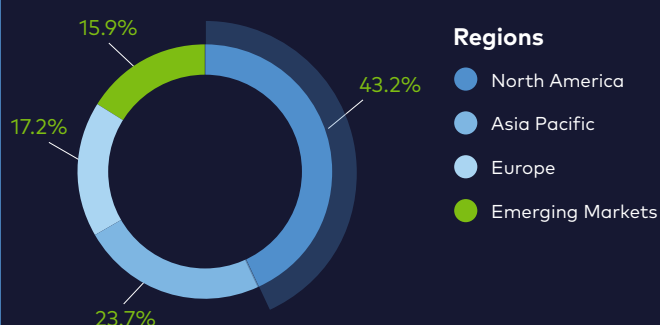
Alignment with Management

- Vote with Management
- Vote Against Management

Distribution of Votes Cast in 2019



Meeting by Portfolio



Meetings by Sector

Financials	Consumer Discretionary	Real Estate	Energy
Industrials	Health Care	Consumers	Utilities
	Information Technology	Comms Services	Materials

CASE STUDIES

The following are select company-specific examples of OIM's global proxy voting activities during proxy year 2019 that highlight our engagement on ESG issues through shareholder voting.

E

Oil + Gas



North America



Proposal

Report on plans to reduce carbon footprint aligned with Paris Agreement goals.

Voted

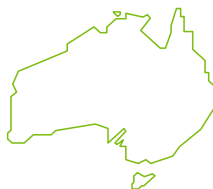
For (Against Management)

S

Grocery Chain



Asia Pacifica



Proposal

Improve human rights management in fresh food supply chains.

Voted

For (Against Management)

G

Waste Management



North America



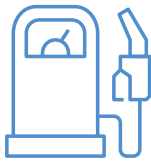
Proposal Text

Adopt a policy on board diversity

Voted

For (Against Management)

E



OIL AND GAS

A shareholder proposal asked the company to issue a report on how it can reduce its carbon footprint consistent with the Paris Agreement's goal of maintaining global warming well below 2 degrees Celsius. The company's Board of Director's recommended a vote against the proposal. OIM voted to support the proposal, given the company's outsized climate footprint and immense contribution to global climate risk. The new reporting mechanism will give shareholders such as OIM more sufficient disclosure on how the company can reduce its carbon emissions, how it is monitoring transition plans toward alignment with the Paris Agreement, and how it is managing risks related to climate change.

S



GROCERY

A shareholder proposal was submitted to a major Australian grocery chain to implement measures for better management of labor and human rights issues in its supply chains. This proposal would address concerns of potential worker exploitation and push the company to embed union and worker representation in its supply chains. In line with our commitment to the UNGC, OIM voted in favor of the proposal. Shareholders such as OIM would benefit from more effective management of supply chain labor issues and increased disclosure regarding the company's policies and practices for assessing and managing human rights risks.

G



WASTE MANAGEMENT

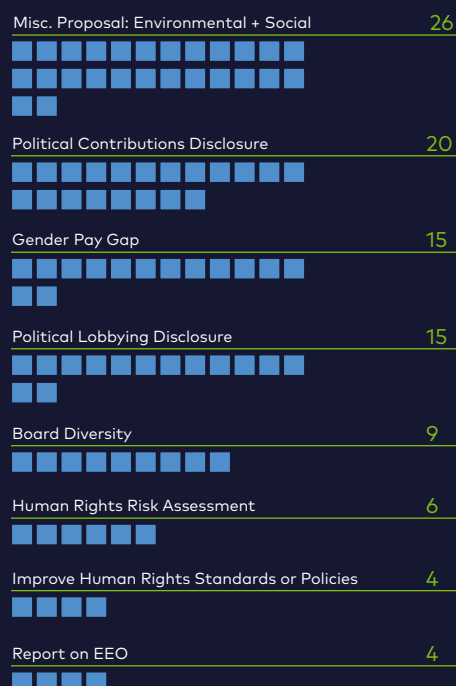
A shareholder proposal was submitted to the company to adopt a policy on board diversity. The waste and recycling industries have long been male-dominated and lack diversity in leadership. The proposal was put forward to encourage the company to share information with shareholders about the gender composition of its workforce or any plans or programs to attract, retain and advance female talent. Shareholders like OIM would benefit from additional information about how the company is ensuring that female and minority candidates are included among prospective board nominees and management candidates.

PROXY VOTING SUMMARY FOR 2019

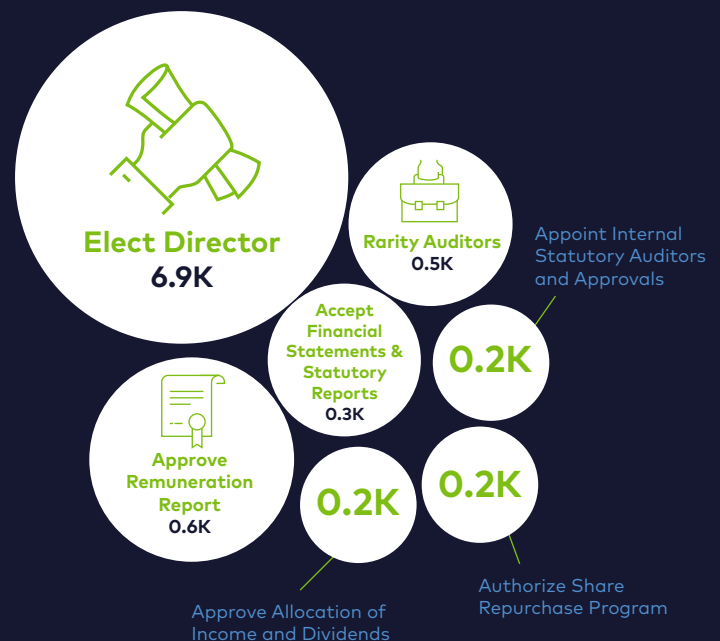
VOTING PROPOSALS ON ENVIRONMENT THEME



VOTING PROPOSALS ON SOCIAL THEMES



VOTING PROPOSALS ON GOVERNANCE THEME







Partnerships



UN-LED INITIATIVES



United Nations Global Compact

The UNGC is a voluntary initiative based on CEO commitments to implement universal sustainability principles and to take steps to support UN goals. With 11,017 corporate signatories in 157 countries, it is the world's largest voluntary corporate sustainability initiative.

The Ten Principles of the UNGC are derived from: The Universal Declaration of Human Rights, The International Labour Organization's Declaration on Fundamental Principles and Rights at Work, The Rio Declaration on Environment and Development and The United Nations Convention Against Corruption. They are divided into themes such as human rights, labor, the environment, and anti-corruption business practices. The United Nations Sustainable Development Goals (SDGs) and the Paris Climate Agreement provide the most powerful common agenda the world has ever seen for achieving peace and prosperity on a healthy planet – with an essential role spelled out for business. OIM pays special attention to the 2030 SDGs and how our investments can make a measurable impact on the world, its inhabitants, and its environment.

In 2019, OIM integrated UNGC principles into its risk and compliance module through the construction of a UNGC Violator Flag in its ESG risk tool. This flag allows portfolio managers to easily identify companies that have a high risk of violating one or more of the ten UNGC Principles. It is calculated for each of the Ten Principles and indicates if the UNGC violations are primarily linked to the operations (O) or supply chain (S) of a company. The flag is based on ESG risk incidents related to a company over the previous two years and assigns weights based on the severity of the incident.

UNGC RISK AND COMPLIANCE MODULE: RISK EXPOSURE MEASUREMENT





United Nations Environment Programme Financial Initiative

The United Nations Environment Programme (UNEP FI) is a partnership between the United Nations Environment Programme and the global financial sector. It was created in the wake of the 1992 Earth Summit with a mission to promote sustainable finance and has involvement from over 240 financial institutions including banks, insurers, and investors. Together, they take steps to understand today's ESG challenges, why they matter to finance, and how to actively participate in addressing them. UNEP FI works closely with over 200 financial institutions that are signatories to the UNEP FI Statement on Sustainable Development, and a range of partner organizations, to develop and promote linkages between sustainability and financial performance.

Net-Zero Asset Owner Alliance

OIM plans to join the United Nations-convened Net-Zero Asset Owner Alliance in 2020. Representing more than USD 4.6 trillion in assets under management, the Net-Zero Asset Owner Alliance is an international group of institutional investors delivering on a bold commitment to transition their investment portfolios to net-zero GHG emissions by 2050. The initiative demonstrates united investor action to align portfolios with a 1.5°C scenario, addressing Article 2.1c of the Paris Agreement.

Tobacco-Free Finance Pledge

In 2018, UNJSPF also became a signatory of the Tobacco-Free Finance Pledge, a collaboration between UNEP FI, PRI and other financial institutions representing over USD 10 trillion in assets under management. This recognizes the significance of the United Nations' Sustainable Development Goals (SDGs), particularly SDG 3–Good Health and Well-Being and SDG 17–Partnerships for the Goals. It also recognizes the World Health Organization Framework Convention on Tobacco Control, the first global public health treaty.

Principles for Responsible Investment (PRI)

In 2006, OIM became a founding signatory of the PRI, the world's leading proponent of responsible investment. The PRI works to understand the investment implications of ESG factors and supports its international network of investor signatories in incorporating these factors into their investment decisions.

The six principles have garnered more than 3,000 signatories from around the world representing over US\$100 trillion in assets. OIM's sustainable voting policy generally references these principles and ensures our partners adhere to them as well.



PRI SIGNATORIES WORLDWIDE



Source: UN PRI, as of 2019

OIM has also been a member of the PRI Reporting and Assessment Advisory Committee (RAAC) since 2018. The objective of the RAAC is to advise the Reporting and Assessment (R&A) team with development of the Reporting Framework outputs and services. This includes reviewing feedback from other advisory committees and working groups within PRI. RAAC members comprise a majority of investor signatories (investment managers and asset owners) and are appointed based on their ability to contribute expertise and leadership in the responsible investment industry.

THE RAAC HAS THREE FOCUS AREAS:

1

Studying how reporting and assessment tools can support further integration of responsible investing into investment manager interactions, as well as their interactions with the broader investment community.

2

Targeting and developing service provider reporting, identifying the highest impact segments, and structuring it for maximum accountability.

3

Supporting technical reviews of assurance options, including identifying material KPIs for audit.

EXTERNAL INITIATIVES



GRESB

GRESB is an investor-driven organization that assesses the global ESG benchmark for real assets and provides standardized ESG data.

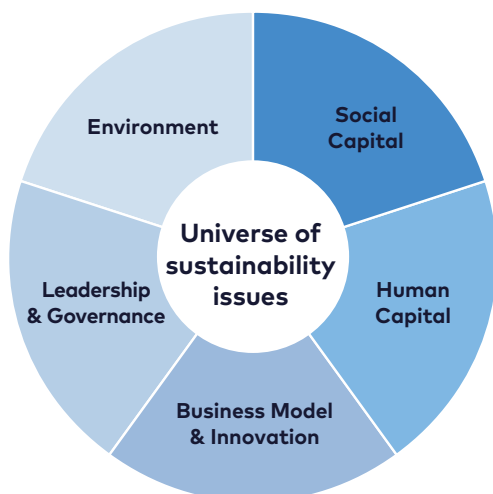
GRESB ESG data and benchmarks cover USD 4.5 trillion in real estate and infrastructure value, including over 66,000 geo-coded assets, across both public and private markets. Since its founding, GRESB's comprehensive data coverage has helped it to become the leading ESG benchmark for real estate and infrastructure investment.

In 2019, OIM became a member of GRESB to further enhance our efforts of incorporating sustainable investing practices across real assets investments. Membership provides standardized and validated data to augment OIM's capabilities in assessing and benchmarking the ESG performance of its investments in real assets. The GRESB partnership will also facilitate our collaboration with other asset owners such as "best in class" global pension funds.



SUSTAINABILITY ACCOUNTING STANDARDS BOARD

The SASB is a non-profit organization that has developed leading sustainability accounting standards for businesses. SASB's mission is to establish industry-specific disclosure standards across ESG topics to facilitate communication between companies and investors about decision-useful information. Such information is based around financial materiality, and meant to be relevant, reliable and comparable across companies. SASB standards give special consideration to the unique factors different industries face and are always evidence-based and market-informed.



SASB disclosure standards have become the industry standard for sustainability accounting, similar to how the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) established the International Financial Reporting Standards (IFRS) and Generally Accepted Accounting Principles (GAAP).

In 2019, OIM became a member of the SASB Alliance and gained access to proprietary materiality factors to further strengthen and enhance its efforts to incorporate sustainable practices across the Fund's investments. For example, material ESG data categorized by sector and industry are aggregated and processed through the OIM custom dashboard that was built for our Global Public Equities teams, allowing portfolio managers to be able to make investment decisions based on ESG factors that are both real-time and material to a specific company.

Source: UN PRI

CERES CLIMATE ACTION 100+



In 2018, OIM became a member of Climate Action 100+. This is an investor initiative to ensure the world's 100 largest corporate greenhouse gas emitters take necessary action on climate change. While these 100 companies are 'systemically important emitters', accounting for two-thirds of annual global industrial emissions, an additional 60 companies with significant opportunity to drive the clean energy transition are also included. Launched in December 2017 at the One Planet Summit, Climate Action 100+ garnered worldwide attention as it was highlighted as one of 12 key global initiatives to tackle climate change.

To date, more than 450 investors representing more than USD \$40 trillion in assets under management have signed on to the initiative. In September 2019, Climate Action 100+ released a Progress Report that highlighted a growing base of investors mobilizing across dozens of countries to drive corporate action on climate change. In addition, companies on the initiative's focus list have started to make progress towards its goals, including a trebling in support for the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures.

More information on the progress of these engagements is found in the engagement section of this report.



Climate Action 100+ at a glance

Investor signatories representing over

**In assets
under management**

Growth in investor signatories since launch

65%

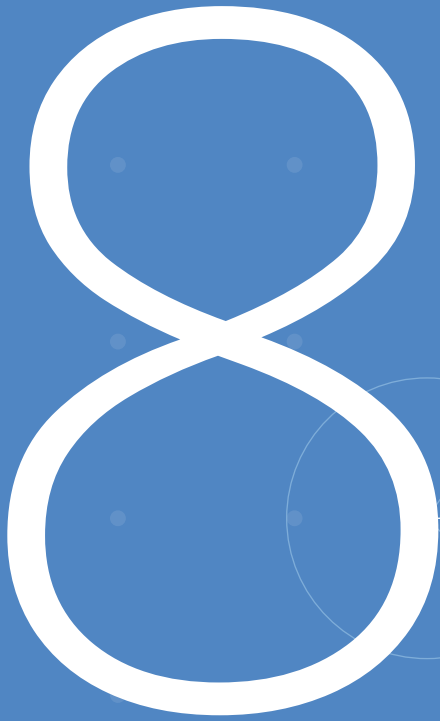
Global investors across

28 markets



of global industrial emissions accounted for by the companies targeted by Climate Action 100+

161 global companies engaged across 33 markets



Staff: Diversity and Inclusion



DIVERSITY + INCLUSION

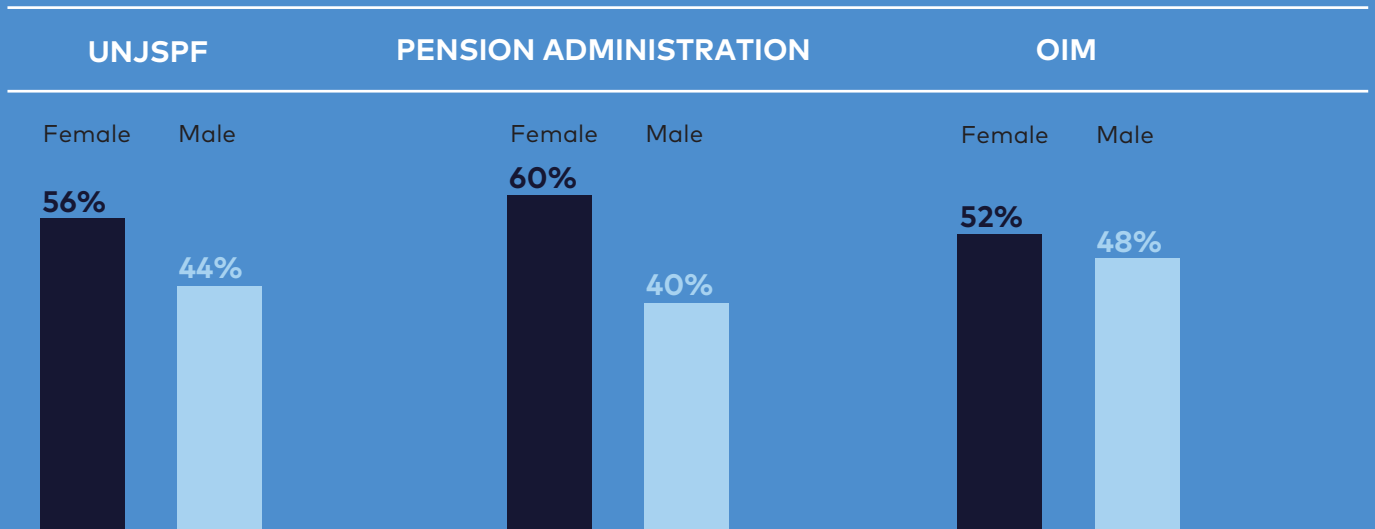


Consistent with the values of the United Nations, OIM is dedicated to promoting respect for all employee differences and to ensure a collaborative, supportive, and respectful environment that increases organization-wide participation and contribution.

We believe that a diverse and inclusive culture is essential to be a best-in-class asset manager. With this in mind, we will continue to prioritize a collaborative culture based on trust, respect and integrity.

























Gender Diversity

as of 31 December 2019



Geographic Diversity

UNJSPF embraces diversity among its employees. As of 31 December 2019, staff members are nationals of 65 countries, including the following:

 Albania	 Bosnia & Herzegovina	 Canada	 Czech Republic
 Australia	 Brazil	 China	 Ecuador
 Bangladesh	 Bulgaria	 Colombia	 Egypt
 Belgium	 Burkina Faso	 Comoros	 Estonia
 Benin	 Cambodia	 Costa Rica	 Ethiopia
 Bhutan	 Cameroon	 Cyprus	 Finland

 France	 Jamaica	 Kenya	 Myanmar
 Germany	 Japan	 Malaysia	 Nigeria
 Guyana	 India	 Mauritius	 Norway
 Haiti	 Indonesia	 Mexico	 Pakistan
 Holland	 Israel	 Mongolia	 Philippines
 Hungary	 Italy	 Morocco	 Poland

 Republic of Korea	 Switzerland	 USA
 Romania	 Thailand	 Viet Nam
 Russian Federation	 Trinidad & Tobago	 Yemen
 Senegal	 Tunisia	 Zambia
 Spain	 Turkey	 Zimbabwe
 Sri Lanka	 UK	



UN Women is the United Nations entity dedicated to gender equality and the empowerment of women.

UN Women supports UN Member States as they set global standards for achieving gender equality and works with individual governments and civil societies to design the laws, policies and programs needed to ensure that the standards are effectively implemented.

OIM collaborates with UN Women to uphold a policy that facilitates gender equality in our own offices. To do so, an OIM staff member has been appointed as a Gender Focal Point in collaboration with UN Women and its network of gender focal points to support:

- ▶ Promoting greater awareness of gender issues and a gender-sensitive work environment.
- ▶ Providing advocacy on gender issues to staff in the office.
- ▶ Monitoring progress towards the achievement of gender targets, including gender parity, as set out in the human resources action plans and the senior managers' compacts.
- ▶ Evaluating measures taken to develop and maintain a gender sensitive and enabling work environment.
- ▶ Advising in the staff selection process of new employees, with a view to ensure that the goal of reaching gender parity is duly considered.
- ▶ Advising and assisting female staff on issues affecting their career development (e.g., career planning, work/life balance) or conditions of service, bringing their concerns, as necessary, to the head of the Office and Human Resources.
- ▶ Advising on methods to resolve and/or report situations involving harassment, including sexual harassment, discrimination or abuse of authority.
- ▶ Creating an enabling environment by providing our offices with advice on career path strategies and encouraging greater participation of women in training programs.







Looking Forward

LOOKING FORWARD

We are pleased with our progress so far in becoming a global leader in sustainable investing.

However, it is fair to say that effective implementation of our sustainable investment approach will be a hard journey requiring leadership, passion and commitment. Implementing sustainable investing successfully requires action on three concurrent fronts:



INFORMATIONAL

Leveraging data, tools, metrics, scientific evidence, and knowledge



BEHAVIORAL

Addressing cognitive biases and psychological underpinnings



CORPORATE CULTURE

Solidifying the purpose, values, and culture of the organization.

We are committed to completing this journey together with all of our stakeholders, but at the same time, the sense of urgency has never been higher—COVID 19 is just another example of how nature is pushing humans onto their backfoot.

We don't invest money in a vacuum. We believe that the UNJSPF, as a universal asset owner, is investing long-term in globally diversified holdings across multiple industries and asset classes and adapting its investment strategy to these circumstances.

For asset owners, overall economic performance will influence the future value of their portfolios more than the performance of any individual companies or sectors. With that in mind, it is in their best interests to support goals for sustainable growth and well-functioning financial markets. An asset owner should also view these goals holistically and seek ways to reduce the company level externalities that produce economy-wide efficiency losses.

Climate risk is by far the biggest systemic risk that asset owners face. The financial risks associated with climate change can be divided into two broad categories: (1) the costs associated with effective policies and other public and private efforts to contain climate change (transition risk or mitigation risk associated with a transition to a low(er) carbon future); and (2) the consequences associated with a failure to address climate change effectively (i.e., the physical risk associated with adaptation to a high(er) carbon future). In other words, mitigation risk is the price of success in the fight against global warming, while physical risk is the price of failure.

OIM's focus for 2020 and onwards will be further enhancing our climate strategy and implementation in compliance with TCFD. We look forward to engaging with our stakeholders to establish a collective path forward and to achieve the important goals as set out by the Secretary-General.





UNJSPF

United Nations Joint
Staff Pension Fund

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