



UNJSPF

United Nations Joint  
Staff Pension Fund

# Sustainable Investing Manifest & Policy

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Unclassified

# Sustainable Investing Manifest & Policy (Version 1)

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## OIM's Manifest: Why Sustainability matters to us

The United Nations Joint Staff Pension Fund (UNJSPF) is a defined benefit fund serving the staff of the United Nations and 25 other organizations admitted to membership in the Fund.

As such, to ensure the long-term sustainability of its activities, the Fund takes a holistic approach in its investment process to achieve its return targets (to meet or exceed a real rate of return over the long term).

As a large and diversified asset owner (also known as a “universal owner”), the Fund acknowledges its exposure to systemic trends affecting the global economy. Those systemic trends include environmental, social and governance (ESG) considerations. They have direct and indirect effects on the global economy and can ultimately be reflected in returns and financial statements. Consequently, integrating ESG principles into the Fund’s investment activities is key to preserve the long-term value of its assets.

Over the years, the Fund has built a comprehensive framework for its sustainable activities. The Principles of Responsible Investment (PRI), a UN-supported network of investors, is the backbone of the Fund’s strategy. Through its [six principles](https://www.unpri.org/about-us/what-are-the-principles-for-responsible-investment), the PRI gives investors a sound foundation for responsible investment activities<sup>1</sup>.

The Fund also seeks to align its activities with the Sustainable Development Goals (SDGs) of the United Nations. The Fund has measured its equity portfolio alignment to the SDGs and has engaged on the SDGs with the portfolio companies.

The Fund excludes investments which are not aligned with the United Nations values (armament and tobacco) and with its long-term view of economic value (fossil fuels) across asset classes. The Fund integrates ESG factors in its investment processes and engages with its portfolio holdings to make sure that their business models and activities are sustainable over the long term.

By anticipating trends, especially regarding climate change, the Fund aims to be at the forefront of both value preservation and climate action. The fund’s Net Zero objective and the joining of the Net Zero Asset Owners Alliance also show the UNJSPF’s support for the ambition of the Paris Agreement and its commitment to the integration of climate factors within the investment process.

The consideration of ESG issues, across asset classes, geographies and industries, is therefore a key factor that affects the long-term value of investments and aligns with the fiduciary duty of the Fund.

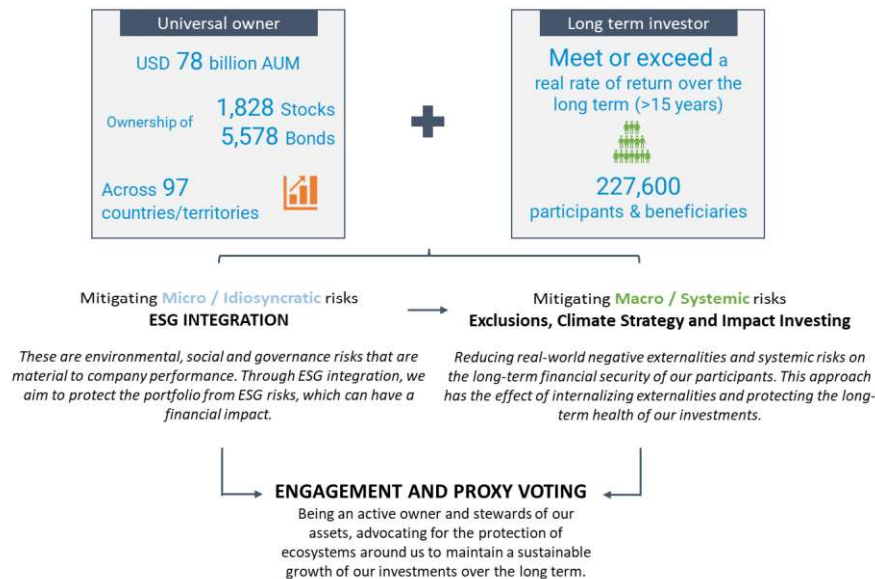
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<sup>1</sup> <https://www.unpri.org/about-us/what-are-the-principles-for-responsible-investment>

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As a global, highly diversified investor (universal owner), with a long-term fiduciary duty to beneficiaries and participants (long term investor), we are exposed to risks stemming from individual portfolio holdings and negative externalities associated with those (at micro level, also known as “idiosyncratic” risks) as well as systemic externalities that can affect the whole portfolio (at macro level, or “systemic” risks).

Such risks, if not managed well through a responsible approach (via ESG integration, exclusions, climate strategy and impact investing), can have serious, long-term consequences on the wider systems we operate in and on our overall portfolio and investment returns.



31 December 2022 figures  
Source: Northern Trust

In order to promote long-termism and sustainable growth of our investments and the wider economy, we must mitigate such systemic risks through avoiding our portfolio’s exposure to negative externalities posed by specific controversial sectors (exclusions); transition our portfolio to reduce our exposure to climate-related risks (climate strategy) and capture climate-related opportunities; use our role as universal owner to help address long-term global sustainability challenges (impact investing); fulfil our stewardship responsibilities to encourage best practice needed to maintain the economy and investment returns over the long-term.

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## Investments, ESG & Climate: our vision

The Fund continues strengthening the integration of ESG in its investment processes, with a growing focus on climate change. As an institutional investor, the Fund is required to formulate risk and return expectations with regards to markets.

Alongside the traditional financial approach to investing, the Fund believes that extra-financial factors, known as ESG factors, can affect the value of investments. Their integration in investment activities provides better-informed investment decision making and can lead to better risk-return characteristics over the long term by identifying investment risks and opportunities.

The Fund has developed policies, processes and tools to integrate ESG factors into the investment process. Through exclusion, integration and stewardship, we make sure ESG and more widely sustainability is woven into each step of our investment process, in line with our fiduciary duty, the PRI recommendations and our role as universal owner.

In this context, the Fund has taken action to contribute to the achievement of the Paris agreement ambition to limit global warming to well below 2°C and ideally 1.5°C. As per the UN Secretary-General's guidance, we aim to reduce CO<sub>2</sub> emissions across the portfolio as well as manage and reduce climate-related risks we are exposed to. The goal is to ensure the long-term sustainability of the Pension Fund.

As a member of the Net Zero Asset Owner Alliance (which the Fund joined in 2020), the

Fund is committed to transitioning its investment portfolio to net zero GHG emissions by 2050.

The Fund published its first interim targets in 2021. OIM committed to reduce the absolute GHG emissions (scope 1 and 2) of its equities and corporate bonds portfolio by 29 per cent by the end of 2021 and 40 per cent by 2025 compared to 2019. In 2022, OIM achieved its target by reducing its financed emissions by more than 38 per cent.

We achieved such results by divesting away from highly carbon intensive emitters (especially the fossil fuels value chain), while remaining invested in transitioning companies and reinforcing our engagement with them, and by continuing investing in climate solutions.

OIM also published a Task Force on Climate-Related Financial Disclosures (TCFD) report. The report outlined how OIM is aligned with the four pillars of the TCFD recommendations.

We believe sustainable investing is not about giving up returns. The value of investments is influenced by many global drivers, including ESG factors. We need to rethink how externalities impact systemic risks and their long-term financial implications. As investors, we strive to avoid risks that may compromise long-term economic value and capture investment opportunities. Considering externalities is essential to ensure the long-term viability of our investments.

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## Context and Objectives of the policy

This policy sets out the approach to Sustainable investing of the Fund. This policy covers all asset classes in which the Fund is invested (equities, fixed income, and private markets).

This policy is approved by the Internal Investments Committee (IIC) and is updated periodically to reflect the evolution of our practices as well as best practices in the industry and data availability.

## Purpose & governance

### *About the Fund, Purpose, Strategy*

As previously mentioned, the United Nations Joint Staff Pension Fund (UNJSPF or Fund) is a defined benefit fund established by the General Assembly of the United Nations in 1948. The Fund is entrusted to provide retirement, death, disability and other benefits and related services to its participants, retirees and beneficiaries comprising the staff of the United Nations and 25 other organizations admitted to membership in the Fund.

The Fund's current Long-Term Investment Objective is to meet or exceed a real rate of return (net of inflation, as measured by the US Consumer Price Index: All Urban Consumers not seasonally adjusted) in US dollar terms annualized over the long-term (15 years and longer). The Fund's current Short-Term Investment Objective is to meet or exceed the return of the Policy Benchmark over the short-term (3 years).

The Representative of the Secretary-General (RSG) has been delegated the responsibility and authority to act on behalf of the Secretary General in all matters relating to the investment of the assets of the Fund. The RSG is assisted by the Office of Investment Management (OIM). Investments must, at the time of initial review, meet the criteria of safety, profitability, liquidity and convertibility.

It's our primary fiduciary duty to invest in the best financial interests of all our participants. We also aim to protect and enhance the value of our investments for the long-term. We aim to do this by being a responsible long-term investor and a steward of our investments.

This policy establishes how the Fund approaches Sustainable Investing, in a way that is consistent with our fiduciary responsibility to meet our funding objective, and how the Fund integrates ESG and sustainability considerations into its investment decisions.

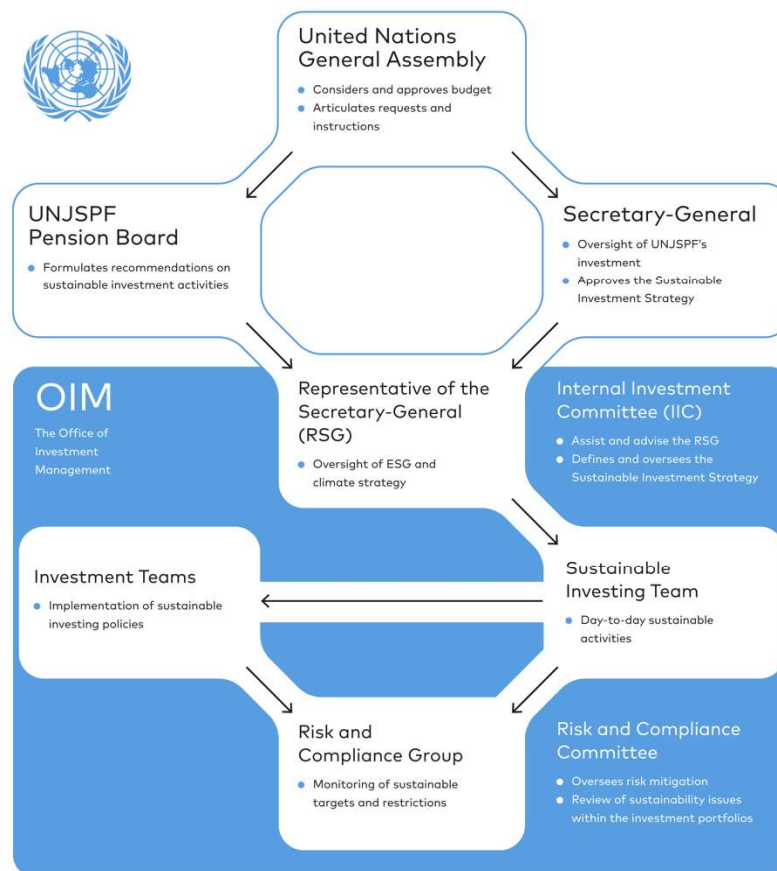
### *Governance and resources to support sustainable investment practices*

The Fund's organizational structure includes the Secretary-General, the UN General Assembly, the UNJSPF Pension Board, the Representative of the Secretary-General, the Sustainable Investing Team, the Investment Teams, Risk and Compliance and the Internal Investment Committee. While the UNJSPF has a non-traditional board and management structure, due to the governance practices of the UN, Board and management follow ESG-related matters very closely. Sustainable Investing responsibilities are assigned to various bodies, including the Sustainable Investment Team which report directly to the Chief Investment Officer, which is responsible for day-to-day sustainable activities of OIM, as well as the Internal Investment Committee (IIC), which meets monthly and oversees OIM's approach to sustainable investing. Various committees and UN governmental bodies incorporate environmental (including climate-related)

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and social issues into organizational goals and strategy, including the Secretary-General of the United Nations who approves the Sustainable Investing Strategy.

The Sustainable Investing team is a dedicated resource for implementing the Fund's stewardship and sustainable investment activity, by supporting investment teams to integrate material ESG factors into the investment process. The Sustainable Investing team has daily interactions with equity, fixed income and private markets investment officers, both on security specific issues and on broader thematic or strategic ESG issues. The Sustainable Investing team conducts internal training and promotes responsible investing awareness across the Fund through ad-hoc sessions with investment officers and company-wide guest speaker events.



## Sustainable investment approach

How we embed sustainability in our investment decisions

Our approach to Sustainable Investing is entirely consistent with our fiduciary responsibility to meet our Long-Term Return Objective.

As the Fund pursues its fiduciary responsibility of meeting its Long-Term Investment Objective, it also strives to be a leader in sustainable investing. We believe that portfolios with a commitment to sustainability have the potential to provide better risk-adjusted returns over the long term.

The Fund's

sustainable investing philosophy is based on our responsibility, as a large asset owner, to society and the environment around us. As such, our approach references internationally recognized

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sustainability related initiatives as the UNEP Finance Initiative, UN-supported Principles for Responsible Investment (PRI), UN-supported Net Zero Asset Owner Alliance, the United Nations Global Compact (UNGC), the United Nations Environment Programme (UNEP) Finance Initiative and the conventions of the International Labour Organization (ILO).

The Sustainable Development Goals (SDGs) of the UN is also a framework to which we aim to align. So far, we have identified where individual stocks within our equity portfolio are aligned with some SDGs and taking a sustainable approach through their business activities and operations. We have also identified the SDGs to which our equity portfolio has a lower exposure. This allows us to understand where we stand and provides guidance to take action to contribute to the achievement of the most relevant SDGs. Our engagement programme, also aligned with SDGs, enables us to fill some of these gaps. In partnership with our engagement manager, Hermes EOS, we ensure our engagements with companies encourage them to act responsibly and reduce their negative impacts on society, across their value chains. We are also suggesting changes that could provide a positive impact. Our view is that the long-term success of businesses is inextricably linked to achievement of the goals. The SDGs help create an economic context and society in which businesses can best thrive.

The diversified investments conducted on behalf of the beneficiaries of the UNJSPF are long-term and are therefore exposed to the longer-term financial risks, of which considering ESG factors can help mitigate. The Fund acknowledges that ESG factors can have material financial impact on the Fund's investments.

Sustainable considerations are integrated into the Fund's sustainable investment strategy and portfolio construction. This includes the integration of financially material ESG considerations throughout the entire investment decision-making process, and across asset classes.

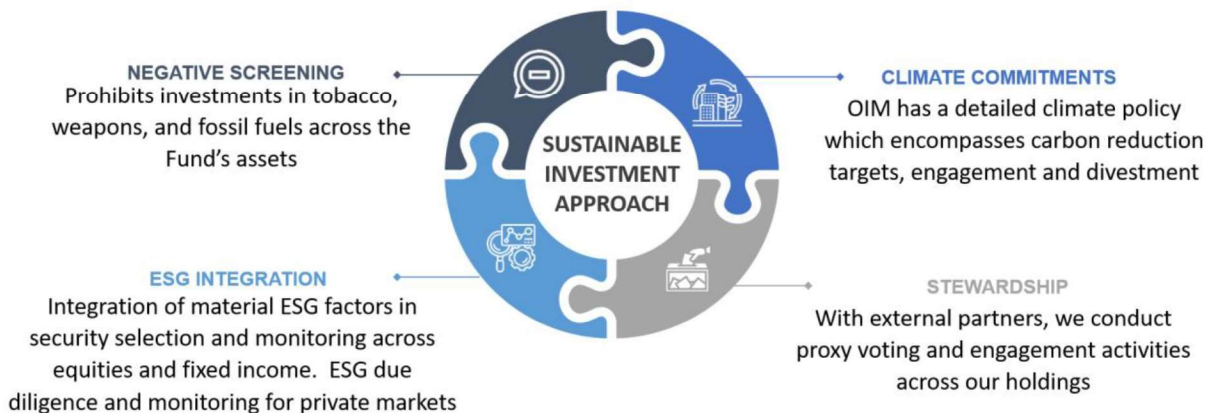
According to PRI, "to ignore ESG factors is to ignore risks and opportunities that have a material effect on the returns delivered to clients and beneficiaries". ESG factors can include:

ESG Factor	Examples of materiality
<b>Environmental</b>	A company or issuer could contribute to climate change through greenhouse gas emissions, waste mismanagement, energy consumption, deforestation, etc. These factors could impose transition risks and physical risks on companies and impact the long-term profitability of companies and affect their stock returns.
<b>Social</b>	Social factors include human rights, labour standards, working conditions such as slavery and child labour, and adherence to workplace health and safety. These discussed factors and the supply chain will impact the regulatory and reputational risk of a security as well as its returns.
<b>Governance</b>	The governance of an entity means the principles setting out the rights, responsibilities and expectations between different stakeholders. Governance is crucial for balancing interests between stakeholders and supporting the long-term success of an entity.



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Our sustainable investment approach is based on four pillars:



## Negative screening

While we favour inclusion over exclusion, in line with our values and ESG beliefs, we apply restrictions to sectors we do not think are compatible with a sustainable long-term approach. The Fund excludes any investments in tobacco (across production, distribution and retail), weapons (chemical and biological, cluster munitions, landmines, depleted uranium and military weapons) and fossil fuels. Such sectors are either involved in controversial activities or facing critical social and environmental challenges which will impact their value creation capability over the long term. We also closely monitor ESG-related controversies and sensitive incidents that companies may face during their business activities.



Weapons



Tobacco



Fossil Fuels

## Fossil Fuel Divestment

In 2021, UNJSPF exited and excluded from its investment portfolio securities (equities and bonds) of companies involved in the fossil fuel value chain, including: thermal coal (exclusion of companies deriving more than 1 per cent of revenue from thermal coal) and oil and gas (companies deriving more than 10 per cent revenue from oil & gas activities).

Adhering to this new policy, the Fund encourages fossil fuel companies to accelerate the pace of transition towards a low-carbon business model and contribute towards the achievement of the objectives of the Paris Agreement.

The divestment decision targeted all businesses in the fossil fuel value chain - extraction and production, pipelines and transportation, equipment and services, refining, petrochemicals, trading, and distribution and retail. There will be no new investments in these businesses; only companies which are transitioning their business models towards a low carbon economy will be considered for investment as well as green

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bonds. We have developed an internal methodology to assess transitioning companies<sup>2</sup>. In the case of Private Markets, no new investments in new funds are allowed in non-transitioning fossil fuel assets (except for secondaries).

Under this implementation, more than USD 2 billion of Assets under Management (AUMs) of the UNJSPF were divested from this sector. The objective of ensuring the long-term sustainability of the UN Pension Fund participants, beneficiaries and retirees is no longer compatible with investing in fossil fuels. Given the strong pressure from policymakers and the civil society regarding climate change risks and greater support from corporates globally, fossil fuels are becoming stranded assets, with greatly diminished long-term value.

## ESG Integration

ESG factors can have a material impact on the performance and reputation of a portfolio company or issuer.

The Fund recognizes that for each issuer and for each sector, it is pivotal to identify and analyse the material ESG factors with potential significant financial impacts on the underlying investment. OIM has an evolving approach which aims to follow industry standards and is adapted to take into consideration each asset class's specificities.

### ESG Integration in Public equities

The Fund utilizes input from industry-leading third-party providers and datasets to support the integration of ESG factors into investment decisions. Leveraging the breadth of data accessible to us, we have developed an internal, proprietary ESG database, which is available to the sustainable investment team as well as investment teams on Bloomberg. This enables investment officers to access both fundamental and ESG data simultaneously for all equity positions in their portfolios.

Understanding the importance of transitioning our portfolio away from heavy reliance on fossil fuels, we continuously measure and monitor the carbon footprint of our portfolio, which is reported and shared with the investment teams on a quarterly basis.

We also use our influence as an asset owner and shareholder to engage with companies and encourage the take up of responsible practices. The Fund believes in an effective and productive dialogue with company management, which will ultimately affect corporate behaviour and advocate for better outcomes. UNJSPF's proxy voting guidelines are tailored to the Fund's mission and commitment set forth in the Investment Policy Statement.

Through proxy voting, the Fund seeks to promote UN values. The voting policy generally references globally recognized sustainability-related initiatives. Each of these initiatives promotes a fair, unified, and productive compliance environment. They advance positive corporate ESG contributions, by promoting practices that mitigate risks while seizing new opportunities.

The Fund uses a custom benchmark to reflect our exclusion and divestment approach, allowing us to measure our investments returns more accurately, considering restricted investments.

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<sup>2</sup> [https://www.unjspf.org/wp-content/uploads/2022/06/UNJSPF\\_Report\\_March8.pdf](https://www.unjspf.org/wp-content/uploads/2022/06/UNJSPF_Report_March8.pdf)

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## ESG Integration in Fixed income

Following the same approach of the Equities portfolio, easy access to ESG data and information was facilitated for the Fixed Income team, as they use an ESG coding system embedded in the Bloomberg database. This coding system enables investment officers to monitor the use-of-proceeds and reporting of green, social and sustainable bonds, as well as their alignment to the Green Bond Principles (ICMA). The Fund has a small exposure to sustainability-linked bonds (SLB), through external managers, which we are developing a close monitoring of sustainability Key Performance Indicators for.

On corporate bonds, the credit analysis can take into account the issuer and sector-level ESG scores. The development of a comprehensive ESG dashboard is in progress to help investment officers make ESG risk-aware investment decisions.

OIM uses credit insights from reputed ESG data sources as an additional factor to develop portfolio recommendations. For Emerging Markets securities, we incorporate World Bank Governance Indicators in the investment process.

In line with our stewardship approach, we engage with our securitized holdings on topics related to governance and climate disclosure. We encourage the main mortgage companies to assess and disclose climate-related risks embedded in their products.

We are currently working to improve the integration process in our fixed income portfolio, in particular for sovereign issuers and on climate-related issues.

## ESG integration in Private markets

The Fund has devised an ESG process specific to our private markets' investments (across private equity, real estate and infrastructure investments). We carry out careful ESG due diligence and include ESG factors in the investment process prior to selecting an investment, as well as a monitoring tool through engagement with General Partners (GPs) to manage ESG risks and opportunities and improve the Fund's overall ESG performance.

We rely on a standardized due diligence process that evaluates a fund's approach to ESG through their awareness, established policies, methodology of assessing potential ESG issues and opportunities, and proven track record. We also use reputational risk datasets that help us assess these risks in the pre and post investment activities.

Our exhaustive ESG due diligence for GPs seeks to identify how ESG risks and opportunities are assessed in the due diligence process and how they are managed across the portfolio. We encourage the sharing of existing portfolio company case-studies to evidence the GP's existing approach. This focus on practical examples from previous investments and funds allows us to assess how well ESG factors have previously been incorporated and whether we can expect that the new fund will meet our expectations.

The questionnaire closely aligns the PRI's Limited Partner (LP) and The Institutional Limited Partner Association (ILPA) due diligence questionnaire. We also review GRESB reports, if available, for Real Estate investments.

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## External managers (excluding Private Markets)

We rely on external managers for a part of our portfolio, for equities and fixed income.

During the due diligence phase, a comprehensive ESG due diligence is carried out on external managers to understand their policies and degree of integration of ESG in the investment process.

Our exclusions and policies are integrated in the contracts signed with managers to make sure that the investments made on our behalf are aligned with our practices.

We have automated systems to monitor our external manager's compliance with our policies and conduct annual reviews of ESG achievements and may recommend changes to our managers.

## Human Rights guidelines

As the United Nations pension fund, the UNJSPF considers that human rights issues should be a topic addressed in its investment process, and that they are material to the Fund's risk-return characteristics. Poor Human Rights management can lead to significant negative outcomes for the Fund in the form of regulatory, operational and reputational risks. We adhere to the United Nations Guiding Principles on Business and Human Rights (UNGPs) which provide a framework for enhancing standards and practices regarding human rights and business practices, as well as the UN Sustainable Development Goals (SDGs).

The UNGPs state that businesses should avoid causing or contributing to adverse human rights impacts as well as prevent and mitigate these impacts. As a significant asset owner and asset manager, the main risks for the UNJSPF lie in the investment portfolio.

The UNJSPF follows the Principles for Responsible Investment (PRI) framework for its Human rights guidelines.

Policy commitment: across asset classes and geographies, the Fund commits to the implementation of the UNGPs, and has created the following guidelines to frame this commitment.

### Due diligence process

- **Identify current and potential negative outcomes for people:** the UNJSPF seeks to identify Human Rights risks in its existing and potential investments. OIM has existing tools and consultants to assist in identifying these risks for both publicly listed investments and private ones. For instance, we monitor the UN Global Compact compliance of our investments. These tools also assist OIM in determining the severity of these negative outcomes.
- **Prevent and mitigate:** OIM uses exclusion as a tool to prevent some Human Rights violations. Since the Fund's inception, conventional and unconventional weapons have been excluded from the investment universe. The Fund's strategy for mitigating negative Human Rights outcomes is active ownership. Human and labor rights are priority themes of the Fund's engagement: we expect companies to acknowledge the possibility of human rights violations inside operations and supply chains, and to demonstrate appropriate board and executive level human rights governance and policies implementation. Our engagement focuses on ensuring firms do not violate basic human rights and provide effective remedy in the event of harm, while also taking steps to enable fair and equitable access to finance, healthcare, and nutrition.

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- **Monitor ongoing management:** for public markets, we monitor the progress made by investee companies with our external consultants and identify and communicate areas of improvement. We also continuously monitor private markets investments and external managers to uncover significant controversies within our investments and any remediation actions taken.
- **Communicate outcomes and actions taken:** in our annual reports, including the engagement report, we highlight human rights-related actions taken during the year. This includes statistics and examples of our activities.

## Access to Remedy

For its portfolio companies, the Fund makes sure to use its levers to mitigate potential negative outcomes. In corporate engagement, the long-term outcomes we seek include: no company causing or contributing to human or labour rights abuses in their own operations or supply chain, and effective redress is provided in the event of any harm; access for all people to basic human rights such as affordable nutritious food, healthcare and the internet; and full respect for the human rights of all indigenous people including those living in high risk zones such.

## **Natural Capital**

In December 2022, the Fund became a signatory of the UN biodiversity Conference (COP 15) Statement from the financial sector – a global initiative committing the financial community to contribute to the protection and restoration of biodiversity and ecosystems through financing activities and investments.

Building upon this commitment, the Fund is developing a natural capital strategy. Natural capital is a holistic approach to ecosystem services and a necessity as the world has already exceeded 6 of 9 planetary boundaries (quantitative planetary boundaries within which humanity can continue to develop and thrive for generations to come)<sup>3</sup> and more than 50% of global GDP (\$44tn of economic value) depends on natural resources<sup>4</sup>.

Developing a natural capital strategy can be challenging given the complex interactions between ecosystem services. Moreover, there is no single metric to set portfolio-wide targets or track progress, unlike climate change. It is also a challenge to identify risks and opportunities in our investment portfolios due to the lack of data and complexity to aggregate it at the portfolio level.

To support the integration of natural capital considerations into our processes, we joined the FAIRR (Farm Animal Investment Risk and Return) initiative in June 2023, a collaborative investor network that raises awareness of the environmental, social and governance (ESG) risks and opportunities in the global food sector. We also joined the Cambridge Universal Ownership and Systemic Risks Initiative in May 2023, an action-orientated collaboration of global asset owners supported by academics from the University of Cambridge. The group's purpose is to work together to address systemic risks as universal owners. We are part of the track on biodiversity, which study how asset owners can assess and mitigate biodiversity-related risks in their portfolios and looks at identifying red lines within the portfolio.

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<sup>3</sup> Stockholm Resilience Centre

<sup>4</sup> World Economic Forum

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These networks will enable the Fund to gain a better understanding of the challenges associated with natural capital, which will drive the strategy we are developing. Although our initial focus will be on public markets, we aim to incorporate private markets into our natural capital strategy.

## Policy implementation

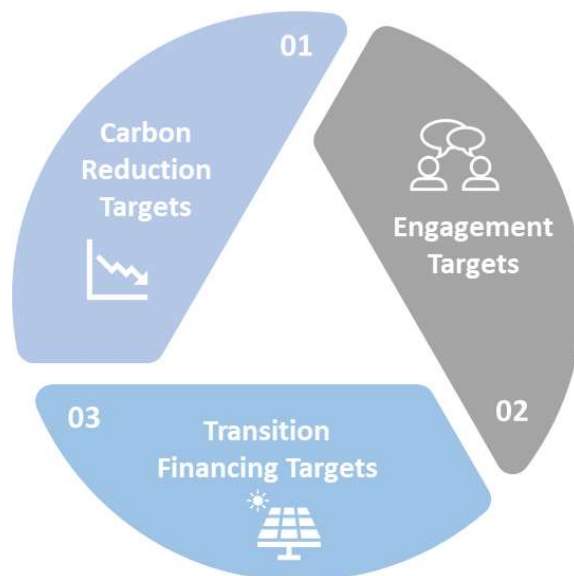
The organization of OIM's ESG processes and procedures create a favourable environment for the policies to be implemented in a consistent way. As a matter of fact, the Sustainable Investing Team is responsible for assisting OIM's investment teams integrate ESG principles into the investment process in a coherent manner. The risk and compliance team control that the principles set out in the policy are applied consistently across the fund.

## Our approach to Climate Change

Climate is at the centre of our investment strategy: we want to actively take action to contribute to the achievement of the Paris agreement on reducing CO<sub>2</sub> emissions, as per the UN Secretary-General's guidance, and reduce our portfolio risk associated with climate change. Our goal is to ensure the long-term sustainability of the Pension Fund. Reducing our exposure to climate change affected segments, such as fossil fuels, is an important step to achieve these goals. We also want to set the right example in the investment community and send a message to encourage companies to formulate clear, actionable climate change adaptation and/or mitigation strategies.

Since 2020, the Fund has ramped up its climate activities. Becoming a member of the Net Zero Asset Owner Alliance (NZAOA) and following the TCFD recommendations for climate disclosure helped OIM frame its climate strategy.

The Fund currently has three main objectives it is pursuing related to climate risk:



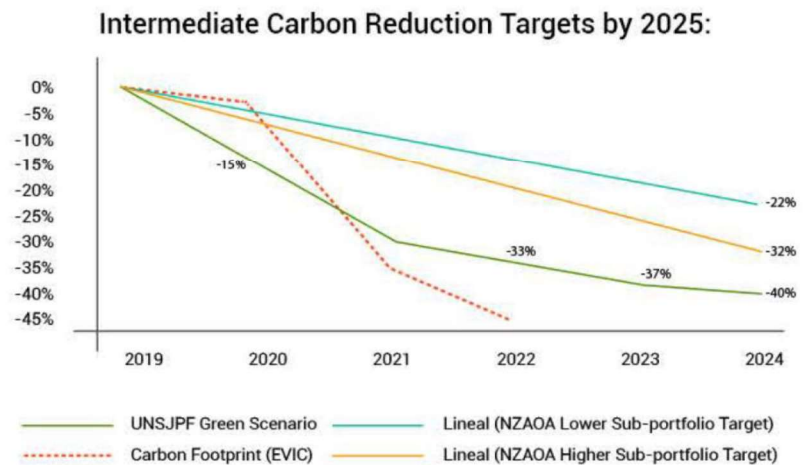


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## Carbon reduction targets

Members of the Net Zero Asset Owner Alliance are expected to reduce their greenhouse gas footprint by 22 to 32 per cent of CO<sub>2</sub>e by 2025 across equities and corporate debt, compared to 2019 levels.

To take action sooner and go further, the Fund pledged to reduce its financed emissions by a higher percentage: 29 per cent in 2021 and 40 per cent by 2025, which was successfully achieved. We reduced the absolute greenhouse gas footprint across equities and corporate bonds portfolios by 38 per cent in 2022 compared to the 2019 level. This reduction was mainly achieved through our fossil fuel divestment. OIM maintains an ambitious climate engagement policy in place to influence real world change.



## Engagement targets

Over 2020 and 2021, the Fund's engagement priorities were significantly focused on climate change issues, in particular on high emitting companies across our portfolio. Out of the more than 500 engagements that were pursued over those years, 77 per cent of environmental engagements were related to climate change. The aim of this strategy is to encourage more climate and carbon disclosure within companies, encourage the adoption of international standards and approved decarbonization targets, and anticipate how climate could impact their business models, in an effort to protect their businesses and take advantage of related business opportunities.

## Transition financing targets

The Fund's ambition is also to identify and invest in companies that are most effectively managing transition risks and are well positioned for the long term. These are companies transitioning their business model to reduce greenhouse gas emissions and potentially offering solutions to help achieve the Paris Agreement objective limit global temperature increase. It is with this ambition in mind that we are monitoring our current exposure to this theme and have created a proprietary model to identify, within the fossil fuel industry (as quantified by revenues), companies that are already transitioning their business models and that we should still get exposure to.

In an effort to foster transparency, OIM published its first TCFD report in 2022 to outline its climate strategy. The full report can be found [here](#).

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## Stewardship: Proxy Voting & Engagement

The UNJSPF is an active steward of its investments. The Fund is pursuing a dialogue strategy in line with its other commitments. An active sustainable voting policy combined with an engagement approach creates more effective and sustainable impact. OIM aims to be an active steward across asset classes with approaches which are differentiated based on specific characteristics of each asset class.

### Proxy voting

The Fund adheres to sustainable investment proxy voting guidelines in partnership with ISS, a leading global provider.

UNJSPF adopts a Sustainable Policy and matching proxy voting guidelines to ensure we systematically vote in line with our fiduciary duty and in the best interests of our participants and beneficiaries. ISS' Sustainability Policy seeks to promote support for recognized global governing bodies promoting sustainable business practices advocating for stewardship of environment, fair labour practices, non-discrimination, and the protection of human rights.

Generally, ISS' Sustainability Policy will take as its frame of reference internationally recognized sustainability-related initiatives such as the United Nations Environment Programme Finance Initiative (UNEP FI), United Nations Principles for Responsible Investment (UNPRI), United Nations Global Compact, Global Reporting Initiative (GRI), Carbon Principles, International Labour Organization Conventions (ILO), CERES Principles, Global Sullivan Principles, MacBride Principles, and environmental and social European Union Directives. Each of these efforts promote a fair, unified and productive reporting and compliance environment which advances positive corporate ESG actions that promote practices that present new opportunities or that mitigate related financial and reputational risks.

On matters of corporate governance, executive compensation, and corporate structure, the Sustainability Policy guidelines are based on a commitment to create and preserve economic value and to advance principles of good corporate governance.

### Engagement

The Fund is committed to a tangible impact in a real-world setting and is cognizant that in the climate related arena in particular, divestment alone does not reduce real world carbon emissions. Therefore, the Fund engages a structured dialogue with portfolio companies, on various ESG matters.

UNJSPF believes that direct and collaborative engagement can drive change in the way companies conduct their business activities which leads to tangible improvements. We engage with companies via our partner, Hermes EOS.

The proactive engagement process follows a rigorous selection process which is based on the following aspects: the size of the holdings, material ESG risks / opportunities and the feasibility of engagement. There is also a reactive engagement process which is based on ad-hoc issues.

Engagement with policy makers is also part of our engagement initiatives. Our external consultant engages with legislators, regulators, industry bodies and other standard setters to shape capital markets and the environment in which companies and investors can operate more sustainably. The engagement



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techniques include public policy consultation responses or proactive equivalent such as a letter and holding discussions with relevant regulators and stakeholders.

OIM is currently working on an escalation strategy that would involve both engagement and voting, in line with universal ownership principles.

## Exploring Impact Investing Opportunities

The Fund believes the fiduciary case for impact investing is clear, investing for financial returns and investing for positive social and environmental are compatible. Creating a robust impact framework to target, manage and measure the environmental and social impacts of our investments is an ambitious undertaking, which has been motivated by our fundamental belief that it is an Impact investing strategy supports our long-term investment objectives.

We aim to continue in our journey to deliver risk-adjusted returns to beneficiaries and participants while also recognizing our role as a universal owner and steward for assets under the guidance of the UN Secretary-General.

As such, as we currently working to develop an impact investing framework, which will build on significant progress experienced in the recently developed impact investing industry and several industry-adopted and recognized Impact Investing frameworks and concepts, such as the Global Impact Investing Network (GIIN), the SDGs and the Impact Management Project (IMP).

## Reporting

OIM reports its ESG activities to various stakeholders, including the Secretary General, the General Assembly and the Pension Board. The Fund also publicly shares details of its ESG achievements on its website and via dedicated reports. In 2022, the Fund published its first TCFD report outlining its climate strategy.

Reports are also shared internally for monitoring and reporting purposes.

## Memberships and networks

To gather the best information possible and to leverage on existing frameworks and initiatives, the Fund is a member of several groups and initiatives that it has joined over the years.

The Fund is a founding signatory (2006) of the UN-supported network of investors, the Principles for Responsible Investment (PRI). The PRI is the most notorious ESG framework in the investment industry. Signatories pledge to abide by 6 principles in their operations:

- Principle 1: we will incorporate ESG issues into investment analysis and decision-making processes
- Principle 2: we will be active owners and incorporate ESG issues into our ownership policies and practices
- Principle 3: we will seek appropriate disclosure on ESG issues by the entities in which we invest
- Principle 4: we will promote acceptance and implementation of the Principles within the investment industry

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- Principle 5: we will work together to enhance our effectiveness in implementing the Principles
- Principle 6: we will each report on our activities and progress towards implementing the Principles

In 2018, the Fund signed the [Tobacco-Free Finance Pledge](#) at its launch. This committed the fund to implement tobacco-free policies across its investments. The Fund is also a member of the Net Zero Asset Owner Alliance, a group of asset owners targeting net zero GHG emissions by 2050. The Alliance helps its members set ambitious targets related to climate to mitigate the climate change impact on the portfolios.

With the growing importance of engagement, the Fund participates in Climate Investor networks: Ceres Investor Network and Climate Action 100+ since 2019. Through these networks, The Fund is able to collaboratively drive change for polluting companies.

The Fund uses GRESB as a benchmark for core real estate since 2019. GRESB provides material ESG data related to our core real estate investments.

More recently, in 2023, the Fund joined the [FAIRR Initiative](#), collaborative investor network that raises awareness of the material ESG risks and opportunities caused by intensive animal production. The Fund also joined the [Investor Advisory Group \(IIAG\)](#) of the IFRS Foundation's International Sustainability Standards Board (ISSB), to contribute to developing sustainability financial reporting. The UN Pension Fund has also joined the IFRS Sustainability Alliance, a global membership programme for sustainability standards, integrated reporting and integrated thinking which focuses on the need to develop standards of sustainability disclosure to meet information needs of investors globally.



## Conflicts of interest related to responsible investment

The UNJSPF's Office of Investment Management has a detailed conflicts of interest policy (the "Conflict of Interest and Recusal Policy and Procedure"). The policy explains the objective and scope of Conflicts of interest and disclosure requirements.

This policy aims to prevent and manage potential or existing conflicts of interest.

  
Pedro Guazo (Aug 28, 2023 17:09 CDT)