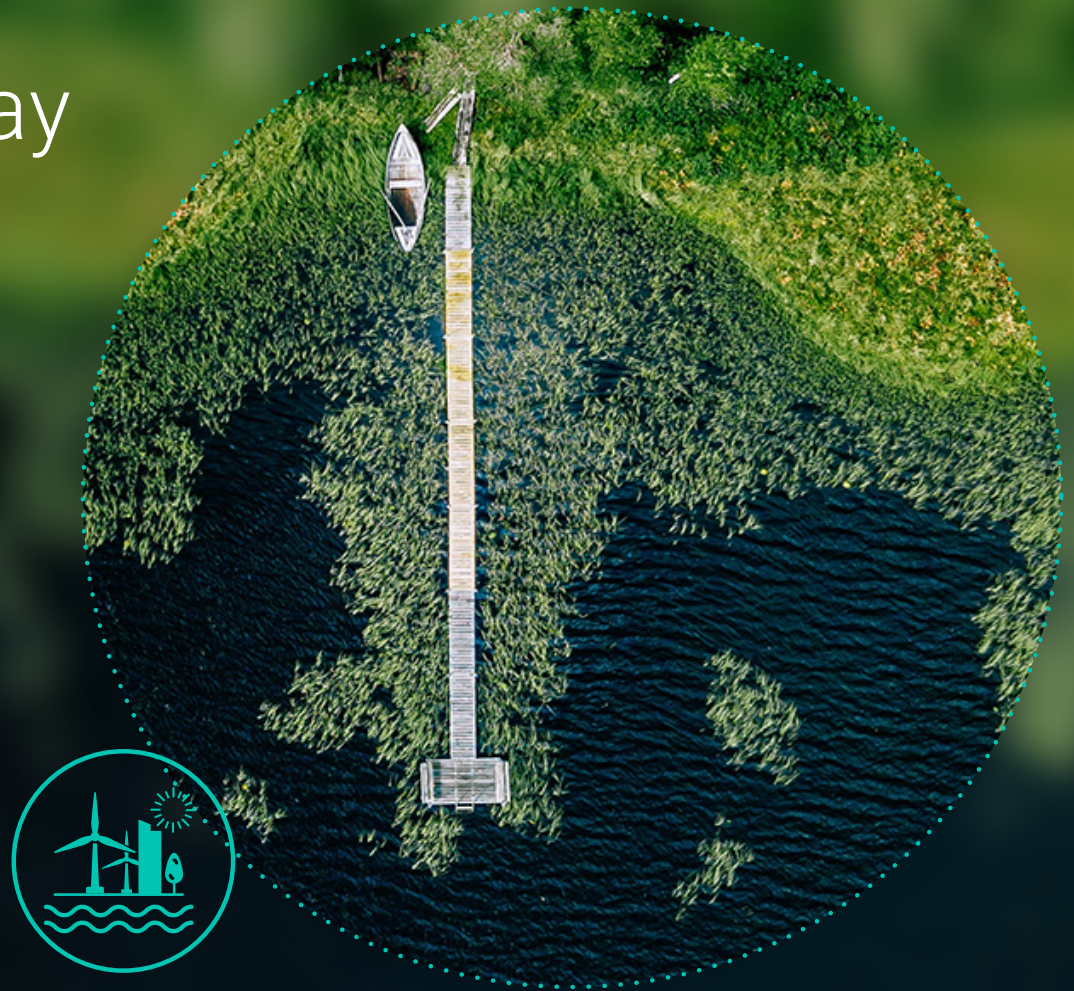




How the **United Nations  
Joint Staff Pension  
Fund** is leading the way  
to net-zero

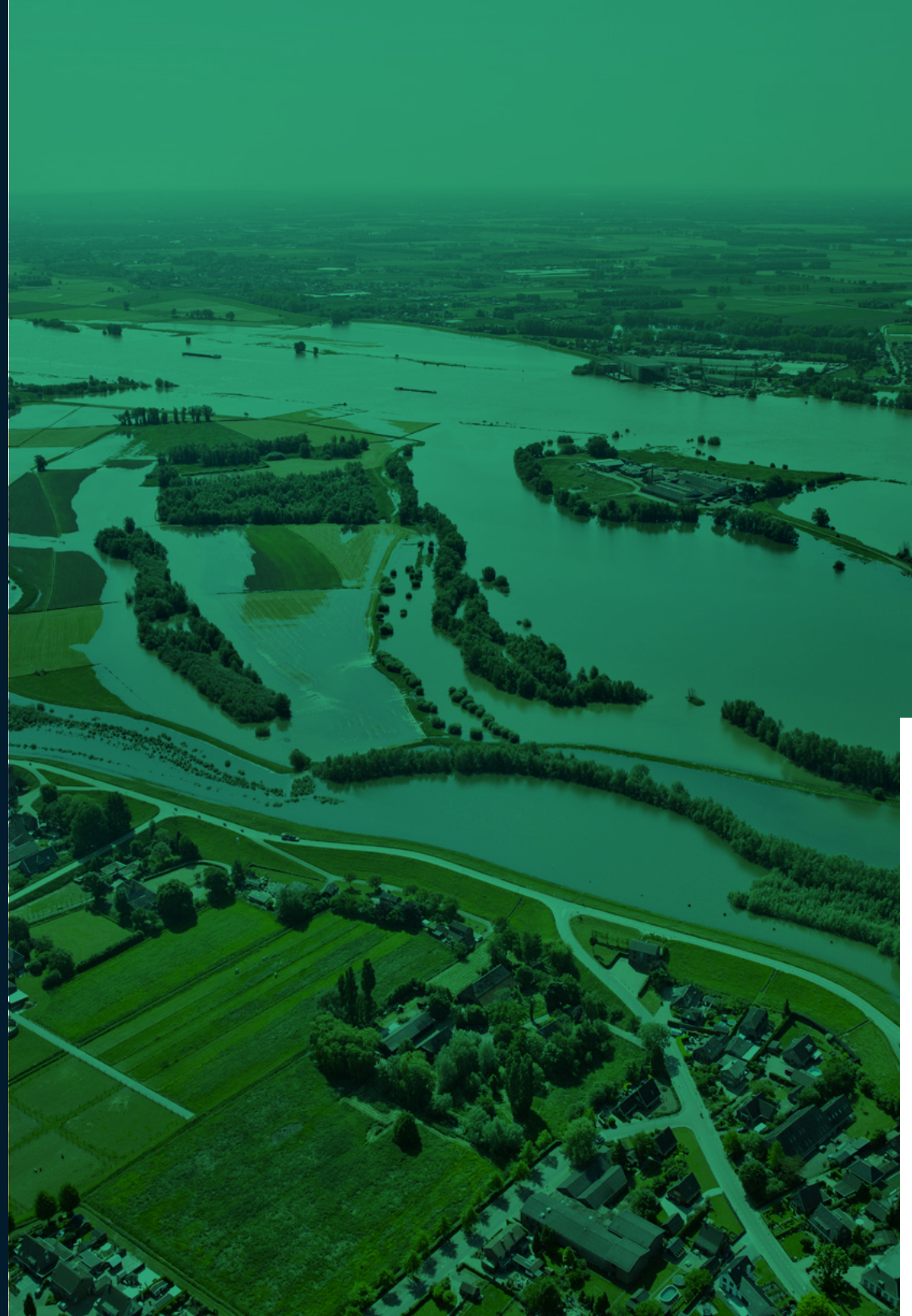




# Overview

- » The United Nations Joint Staff Pension Fund shows how asset-owner investors can put the risks of a changing climate at the center of their investment strategies.
- » The USD 81.7 billion Fund reduced the financed emissions of its global equity, corporate bond, and private real estate portfolios by 39% since 2021, using indexes, data and analytical tools from MSCI.<sup>1</sup>
- » The Fund is now moving beyond listed assets to measure and reduce emissions across its multi-asset-class portfolio.

<sup>1</sup> Fund value as of March 31, 2023. The United Nations Joint Staff Pension Fund is a client of MSCI Inc. and MSCI ESG Research LLC and consented to its inclusion in this use case without compensation. Any results achieved by the Fund are specific to its use case and are cited for informational purposes only. Other investors may not experience similar outcomes.



**"Our near-term and net-zero targets reflect the urgency of action to avoid the worst effects of a warming planet," says Pedro Guazo, Representative of the Secretary-General for the investment of the UNJSPF assets.**

**"Data and analytical tools from MSCI allow us to act with urgency and precision to achieve our net-zero goals."**

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The United Nations Joint Staff Pension Fund is raising the bar for action by asset-owner investors to lower the greenhouse gas emissions of their investments.

The Fund was established in 1949 by the General Assembly of the United Nations to provide retirement, death, disability and related benefits for the staff of the United Nations and the other organizations admitted to membership in the Fund. The Fund has reduced the financed emissions of its global equity, corporate bond, and private real estate portfolios by 39% since 2021, ahead of target, using indexes, data and analytical tools from MSCI to identify companies in every industry that are taking concrete steps to reduce their emissions.

It also reflects the leadership of Secretary-General António Guterres, who has charged the Fund with pursuing a high level of climate ambition based on a goal of net-zero greenhouse gas emissions in accordance with the Paris Agreement.

# Building a foundation for action

The Fund, through its Office of Investment Management (OIM), has made sustainable investing part of its investment policy. The policy, which the Fund adopted in 2019 and updates comprehensively every four years, aims to ensure that all of the Fund's activities integrate the ideal of sustainable investing and take environmental, social and governance (ESG) metrics into account consistent with its fiduciary responsibility to meet its long-term objectives.

Among other considerations, the policy restricts investments in the securities of companies producing fossil fuels or controversial weapons. The Fund uses a client-designed index based on the MSCI ACWI IMI Index to facilitate its investment policy and measure the investment management of its global portfolio of public equities, which constituted 52.4% of the Fund's assets, [as of Feb 3, 2023](#).<sup>2</sup> The index, together with its five regional subsets, is designed to exclude companies that would contravene the Fund's investment policy.

In July 2020, [the Fund joined the UN-convened Net-Zero Asset Owner Alliance \(NZAOA\)](#), which obligates members to set a series of increasingly ambitious targets to guide their climate-related investment management.

The Fund published its [first interim climate target](#) in June 2021. The target aimed to reduce the absolute emissions of the Fund's equity and corporate bond portfolios by 29% from 2019 levels by the end of that year and 40% by 2025. Both interim targets exceeded the ambition of those established by the NZAOA, whose members commit to reduce financed emissions 22% to 32% by 2025.

2 MSCI ESG and climate ratings, research and data are produced by MSCI ESG Research LLC, a subsidiary of MSCI Inc. MSCI ESG Indexes, Analytics and Real Estate are products of MSCI Inc. that utilize information from MSCI ESG Research LLC. MSCI Indexes are administered by MSCI Limited (UK).



## Targeted ambition

OIM, which manages the lion's share of the Fund's multi-asset-class portfolio in house, addresses climate-related risk and opportunities through a series of actions designed to achieve a transition to net-zero in the real economy. Those actions center on backing companies in every industry that are taking concrete steps to reduce emissions, using climate engagement to influence the activities of portfolio companies, and investing in clean solutions.

Early success in that effort included the Fund's lowering its financed emissions 32% in 2021, [a target the Fund achieved](#) that October. The achievement was followed by 13 months of the [Fund's](#) divesting fully from the heaviest polluters in the fossil-fuel value chain, including any company that derived more than one percent of its revenues from thermal coal. The Fund achieved the latter milestone three months earlier than planned.



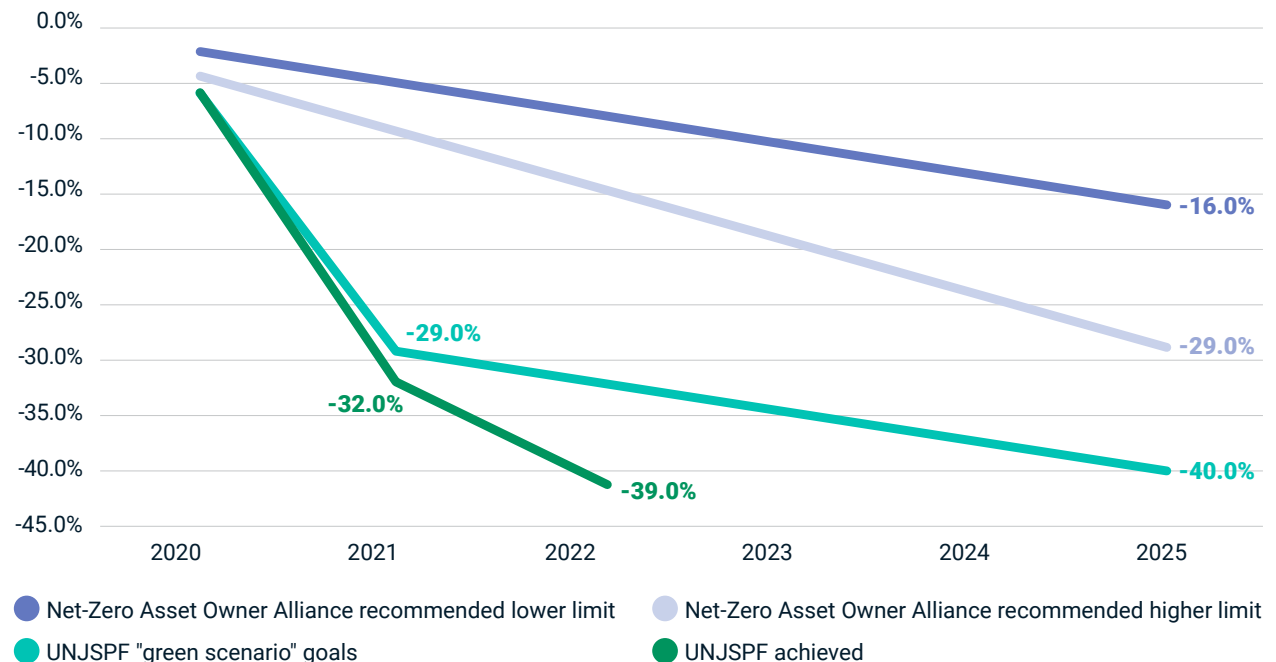
# Using MSCI to pinpoint climate leaders

The effectiveness of efforts by OIM to cut financed emissions reflects its development in house of a methodology for identifying low-carbon transition leaders and laggards within its portfolios and prioritizing engagement activities. The methodology has several powerful attributes.

Rather than exclude companies across the board, the OIM uses [data from MSCI ESG Research](#) to measure the exposure to fossil fuels, green revenue or investment in clean technologies by prospective portfolio companies. Equipped with such information, OIM can decide whether to override screens that may otherwise exclude such companies from the index based on their current greenhouse gas emissions. In short, the Fund's portfolio managers can make active decisions about exclusions.

The Fund, which engages on climate with more than 500 companies annually, uses [MSCI ESG Research's Low Carbon Transition assessment framework](#) to differentiate companies in the same sector based on action they are taking to lower their emissions to net-zero and their ability to capitalize on opportunities in the transition to a low-carbon economy. OIM could choose to invest in an energy company flagged for exclusion from its benchmark index if the assessment shows, for instance, the company is investing significantly in renewable energy.

## The UN Joint Staff Pension Fund is targeting a high level of climate ambition



Source: United Nations Joint Staff Pension Fund

Though the screens the fund has in place block fossil-fuel-based businesses automatically in tandem with rebalancing of the linked MSCI index twice a year, the screens employed by the MSCI indexes also use the Global Industry Classification Standard (GICS®) that governs industry classifications to identify conglomerates that buy or sell fossil-fuel businesses.<sup>3</sup>

<sup>3</sup> Global Industry Classification Standard (GICS®) is a global industry classification standard jointly developed by MSCI Inc. and S&P Global Market Intelligence. The GICS® structure comprises 11 sectors, 24 industry groups, 69 industries and 158 sub-industries.

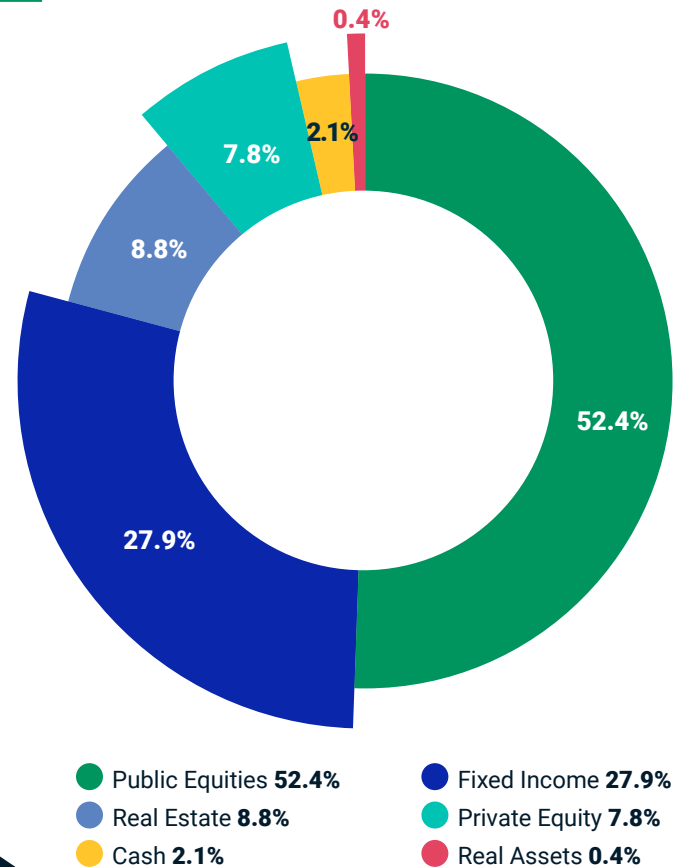
# Seeing the whole picture

The Fund's net-zero investment strategy extends across asset classes. OIM uses bespoke versions of a Bloomberg MSCI Fixed Income Index to align its portfolio of listed corporate bonds with a 1.5°C pathway, as well as metrics from MSCI to measure the carbon footprint of its real estate portfolio.

OIM is now looking beyond listed assets to measure the emissions of investments across its total portfolio using [MSCI Total Portfolio Footprinting](#) to analyze all its financed emissions. The Fund will be working with MSCI in 2023 to measure the emissions of its private real estate portfolio. It will also be assessing the extent to which private equity general partners are engaging portfolio companies in connection with climate change and ESG risks, as well as looking at the emissions of its investments in infrastructure and sovereign bonds.

OIM uses data on corporate greenhouse gas emissions from MSCI ESG Research to monitor the carbon footprint of its portfolio across all emissions scopes. Because the portfolio managers at OIM manage their portfolios through MSCI's analytics platform, they have an integrated view of climate risk that equips them to measure climate exposure and impact, allocate assets and inform investment decision-making.

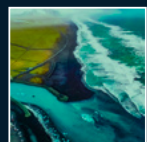
**The UN Joint Staff Pension Fund aims to reduce the climate impact of its total portfolio**



Source: United Nations Joint Staff Pension Fund, data as of Feb. 3, 2023



# A timeline of climate ambition



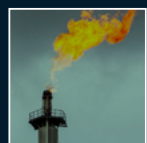
## July

The Fund **joins** the U.N.-convened Net-Zero Asset Owner Alliance



## August

The Fund awarded a score of A+ from the Principles for Responsible Investment



## September

The Fund **divests completely** from the coal energy sector, three months earlier than planned.



## March

The Fund **publishes its first report** pursuant to the Task Force on Climate-related Financial Disclosures.



## November

The Fund reduces the carbon footprint of its portfolio of listed equities and bonds by 40% from 2019 levels, three years ahead of its interim target.

2019

2020

2021

2022

2023



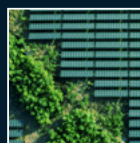
## July

The Fund **updates its Investment Policy Statement** to integrate the Fund's commitment to sustainability throughout its entire decision-making process.



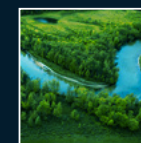
## June

The Fund **targets a reduction** in its financed greenhouse gas emissions by 29% in 2021 and 40% from 2019 levels by 2025.



## October

The Fund **reduces the carbon footprint of its portfolio** of listed equities and bonds by 32% from 2019 levels, exceeding its intermediate target by three points.



The Fund makes climate risk part of its investment decision-making across the majority of its portfolio of listed and unlisted assets.



# About MSCI

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