



UNJSPF

United Nations Joint
Staff Pension Fund

Stewardship guidelines: Proxy voting and engagement

Version 1

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Stewardship guidelines: Proxy voting and engagement (Version 1)

Table of Contents

<i>Proxy voting</i>	3
Introduction	3
Board of Directors	3
Remuneration and Executive Pay	4
Auditor Ratification	4
Environmental and Social Resolutions	4
<i>Engagement</i>	5
Our approach to engagement with companies	5
Political engagement	8
Engagement in private market investments and with external managers	8

Stewardship guidelines: Proxy voting and engagement (Version 1)

The UN Joint Staff Pension Fund is an active steward of its investments. The Fund is pursuing a stewardship strategy to complement its other sustainable investing commitments. An active sustainable voting policy combined with an engagement approach creates more effective and sustainable impact. The Fund's Office of Investment Management (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

Introduction

The Office of Investment Management (OIM) of the UN Pension Fund has a fiduciary duty to exercise voting rights attached to the shares it owns, in the best interests of the plan and its members. That is done by voting for resolutions that are likely to enhance long-term shareholder value and by opposing resolutions that are likely to dilute or diminish shareholder value.

OIM adheres mutatis mutandis, to the sustainable investment proxy voting guidelines of Institutional Shareholder Services (ISS), which votes on its behalf in the companies the Fund has shares. These [guidelines](#) seek 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.

ISS's Sustainability Policy and guidelines take as a frame of reference internationally recognized sustainability-related initiatives such as the United Nations Environment Programme Finance Initiative (UNEP FI), Principles for Responsible Investment (PRI), 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.

The Fund's own guidelines are below and contain examples of specific voting recommendations with regards to Board of directors' composition and nomination, remuneration and E&S proposals. These guidelines are based on a commitment to create and preserve economic value and to advance principles of good corporate governance. They are not rigid policy positions, and OIM considers extenuating circumstances that might call for a different vote than a specific guideline suggests.

Board of Directors

The Fund believes high quality corporate boards should be comprised of mostly independent directors and be diverse with an appropriate balance of skills, expertise, and tenure. The following are common instances that may result in an against/ withhold vote for a director

- Nominee directors are incumbent members of the audit committee and non-audit fees are greater than 25% of total fees paid to the auditor
- Nominee directors are incumbent members of the nominating committee and there is not at least one woman on the board
- Directors who are not considered independent and serve on a board that is less than 50% independent

Stewardship guidelines: Proxy voting and engagement (Version 1)

- Directors with poor attendance, that is, directors who fail to attend at least 75% of the aggregate board and key board committee meetings on which the director served, absent an appropriate explanation for any extraordinary circumstances.

Remuneration and Executive Pay

The Fund believes executive pay packages should maintain appropriate pay-for-performance alignment, avoid arrangements that risk “pay for failure”, provide shareholders with clear and comprehensive compensation disclosures, and avoid inappropriate pay to non-executive directors. The following are common instances that may result in an against vote for a remuneration/executive pay package:

- There is a significant misalignment between CEO pay and company performance
- The company maintains significant problematic pay practices
- The board exhibits a significant level of poor communication and responsiveness to shareholders.

Auditor Ratification

The Fund will vote to ratify auditors unless any of the following apply:

- The non-audit fees paid represent 25 percent or more of the total fees paid to the auditor;
- An auditor has a financial interest in or association with the company, and is therefore not independent;
- There is reason to believe that the independent auditor has rendered an opinion that is neither accurate nor indicative of the company’s financial position;
- Poor accounting practices are identified that rise to a serious level of concern, such as: fraud; misapplication of GAAP etc.

Environmental and Social Resolutions

The Fund supports proposals advocating ESG disclosure of universal norms/codes of conducts.

The Fund will generally vote for social and environmental shareholder proposals that promote good corporate citizens while enhancing long-term shareholder and stakeholder value. Vote for disclosure reports that seek additional information particularly when it appears companies have not adequately addressed shareholders’ social, workforce, and environmental concerns.

Stewardship guidelines: Proxy voting and engagement (Version 1)

Engagement

For the UN Pension Fund, an active ownership policy and engagement with issuers are essential to creating long term value.

As a global asset owner, the Fund engages through EOS at Federated Hermes, a stewardship services provider, in dialogue with issuers to influence their activity or behaviour. Engagement is integral to the Fund's fiduciary responsibility to meet its Long-Term Investment Objective. The Fund considers active ownership and engagement as core contributors to risk mitigation and long-term value creation for our participants and beneficiaries.

Engagement allows us to address risks to overall portfolio performance due to companies' contribution to systematic sustainability issues as well as have a positive real-world impact by addressing environmental, social and governance topics and helping improve corporate practices.

Our approach to engagement with companies

Through Federated Hermes EOS' services, OIM's engagement scope covers 12 themes and 32 related sub-themes. This engagement is conducted with companies that form part of our public equity and corporate fixed-income holdings. Such breadth of coverage reflects the diversity of issues affecting companies, including energy transition, fair working conditions, human and labour rights, business ethics, etc. The full spectrum of covered themes can be found below:

Stewardship guidelines: Proxy voting and engagement (Version 1)



Data from Federated Hermes EOS, 2022

Our engagement objectives

EOS identifies corporate engagement outcomes and objectives initially at the thematic and sector level, based on a top-down understanding of relevant thematic and sector risks. These are then reconsidered at the company level (bottom-up) for materiality and feasibility, together with company specific knowledge.

Our engagement, through EOS, is focused on ensuring companies are responsibly governed and well managed to deliver sustainable long-term value as well as improving the lives of employees, promoting diversity and supporting communities.

In their approach, EOS set clear and specific objectives within company engagements to ensure the achievement of positive outcomes. Each objective is tracked using milestones. Objectives are regularly reviewed until they are completed – when the company has demonstrably implemented the change requested – or discontinued. Objectives may be discontinued if the objective is no longer relevant, or because the engagement is no longer feasible or material.

Such objectives, milestones and outcomes are reported by EOS to the Fund on a continuous basis, and we communicate this information internally and externally through an engagement report. Engagement outcomes and results are fed back into the investment decision-making process.

Stewardship guidelines: Proxy voting and engagement (Version 1)

Prioritisation of issuers

EOS selects companies based on the optimal combination of the size of the Fund's holdings, the materiality of the risks and the feasibility of achieving change through engagement. Companies with the most material corporate governance and sustainability-related issues, and the greatest potential for change, are engaged with more intensively, using the following three-tiered categorisation:

Tier 1: Companies with a good combination of ownership size and more significant or numerous long-term sustainability or corporate governance issues with the opportunity of feasible engagement. These companies require more time and effort to progress, including more detailed research, leading to typically more intense engagement, with the expectation of approximately five interactions per year.

Tier 2: Companies with a good combination of ownership size and material long-term sustainability or corporate governance issues with the opportunity of feasible engagement. Such engagements can be meaningfully pursued with average levels of time and effort, with the expectation of approximately three interactions per year.

Tier 3: Companies which either a) face a particular identified ESG-related risk which can be addressed with limited, targeted engagement; b) companies with generally lower levels of risk to long-term sustainability, but higher client holdings or which are in the process of being monitored for implementation of the outcomes of previous engagement work. EOS typically only set one engagement objective, or follow a limited number of engagement issues, rather than specific engagement objectives and plan on one or two interactions per year.

Engaging to support the UN Sustainable Development Goals

The UN's 2030 Agenda for Sustainable Development sets out 17 goals and 169 underlying targets, providing a blueprint for a sustainable world.

Engagement acts as a way to help improve the sustainability of companies, to boost long-term wealth creation and achieve positive outcomes for society. Engagement, through the services of EOS, can be delivered to align to the achievement of the Sustainable Development Goals (SDGs) either directly or indirectly.

EOS' approach attributes a direct link between engagement themes and SDGs, should an engagement objective at a company directly support at least one of the UN's targets underpinning the relevant goal or is aligned with the spirit of the goal.

Collaborative engagement

The UN Pension Fund also participates in several collaborative engagements, both through EOS and independently.

Stewardship guidelines: Proxy voting and engagement (Version 1)

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. 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.

Our approach to escalation in stewardship

Where engagement is not succeeding at the pace we believe is required to protect long-term value, we will also consider using escalated engagement techniques, such as recommending voting against a company director's reelection, should they fail to meet our climate engagement targets.

In the case of an escalation, we will first interact with EOS' engagement analysts to understand why an engagement was unsuccessful. We will focus on corporate objectives (i.e., on engagements for which EOS sets specific milestones). We will identify companies for which engagement is stalled and unlikely to make progress and will notify the company of our intention to vote and our rationale for doing so. This may encourage the company to take further action to follow international best practices regarding climate action.

Outside of climate-related engagement, EOS also uses raising concerns in the public domain as an escalation method. Occasionally they will also raise a matter at shareholder meetings or by filing, co-filing or publicly supporting a shareholder resolution.

Political engagement

Through the services provided by EOS, we also engage 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.

Engaging on public policy and market best practice can positively benefit all companies or investors in the affected region or sector. This is achieved through engagements with third-party organisations, such as civil society organisations, regulators, government bodies and trade associations. It also includes written responses to consultations, which we can endorse and co-sign.

Engagement in private market investments and with external managers

We believe that an effective way to drive change is to remain invested with external managers and continue dialogue with them.

We ensure to effectively monitor the ESG practices and involvements of any selected private market investments or external managers. This allows us to keep track of their ESG performance and any potential exposure to reputational risks, as well as identify and share areas of improvement.

Stewardship guidelines: Proxy voting and engagement (Version 1)

The objective of the monitoring and engagement process is to:

- Increase communication and learn of any updates on disclosures made in the due diligence process, any targets achievements, or additional resources;
- Promote transparency on ESG performance and results sustainable partnerships and innovation, but also on lobbying and financing activities;
- Promote integrity by monitoring controversies in conflict with this charter or UN principles.


Pedro Guazo (Aug 18, 2023 10:23 EDT)





UNJSPF Stewardship guidelines

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