

2023

# Engagement Report

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# Introduction

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The United Nations Joint Staff Pension Fund (UNJSPF) considers active ownership essential to mitigating risk, meeting our investment objectives and creating long-term value for our participants and beneficiaries.

We engage in dialogue with issuers to influence their activity or behaviour both directly and through EOS at Federated Hermes, a stewardship services provider.

Engagement is a way for us to have a positive real-world impact by addressing environmental, social and governance topics that help improve corporate practices and support the Fund's long-term financial sustainability. Being a responsible investor requires both accounting for risks and identifying opportunities.

This report provides insight into how Federated Hermes EOS' services helped UNJSPF's Office of Investment Management (OIM) to engage in active ownership in the 2023 calendar year.

# Engagement overview

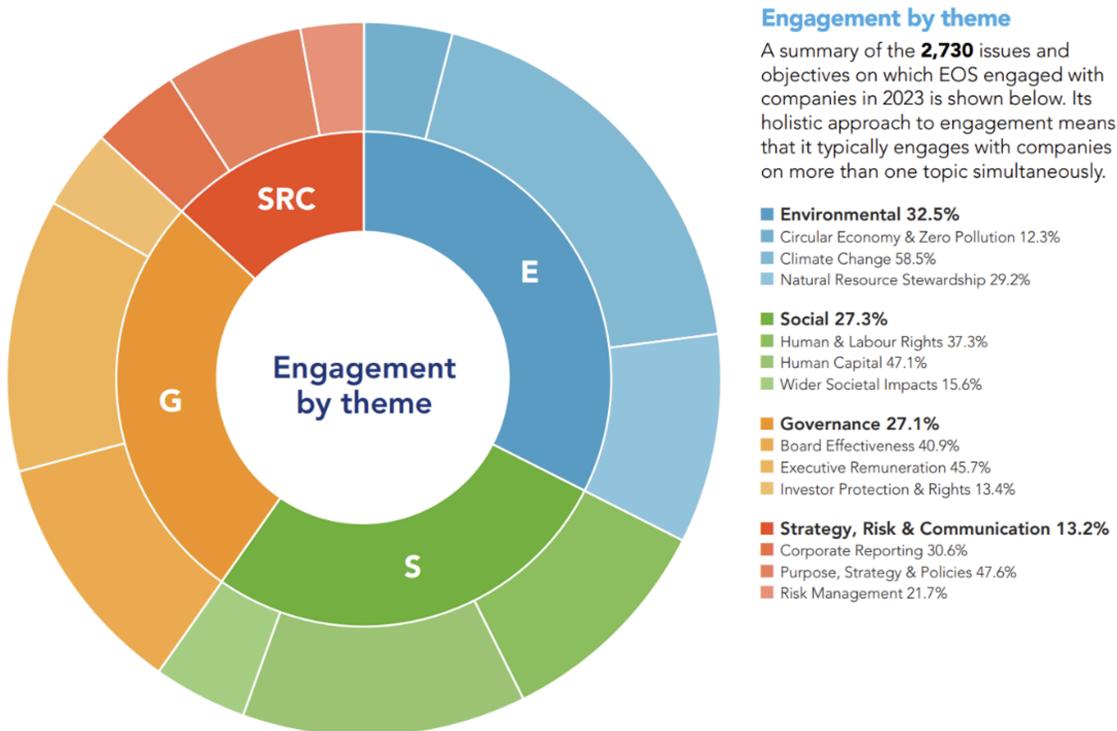
Through Federated Hermes EOS' services, OIM's engagement scope covers 12 themes and 32 sub-themes. This engagement is conducted with companies among our public equity and corporate fixed-income holdings. Engagements also occur via public policy interactions, including consultation responses, letters, meetings and discussions. The breadth of engagement activity reflects the diversity of issues affecting companies, including the energy transition, fair working conditions and business ethics.

In total, UNJSPF engaged with 569 companies on 2,730 environmental, social, governance, strategy, risk and communication issues and objectives.

The holistic approach that EOS takes on UNJSPF's behalf means EOS typically engages with companies on multiple topics at once.

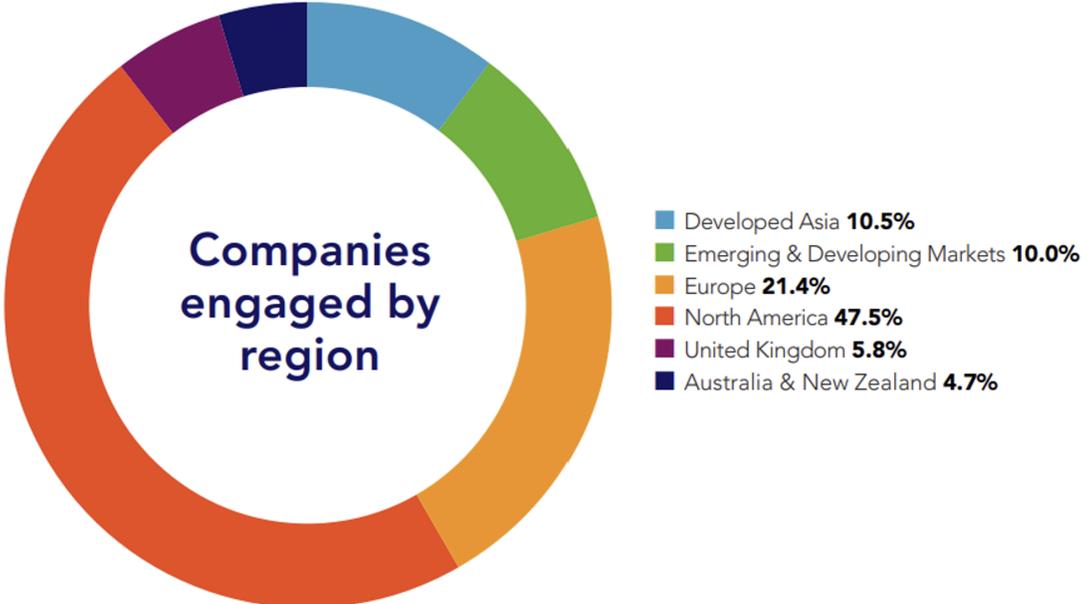
Climate Change continued to make up a majority share of engagement themes in 2023, coinciding with the [2023 UN Emissions Gap report](#), which stated that achieving a Paris Agreement 2°C pathway necessitates a 28% decrease in greenhouse gas emissions by 2030, and that 1.5°C requires a 42% fall.

Human Capital, Board Effectiveness and Executive Remuneration had the next largest shares, collectively making up over one-third of all engagement activity.



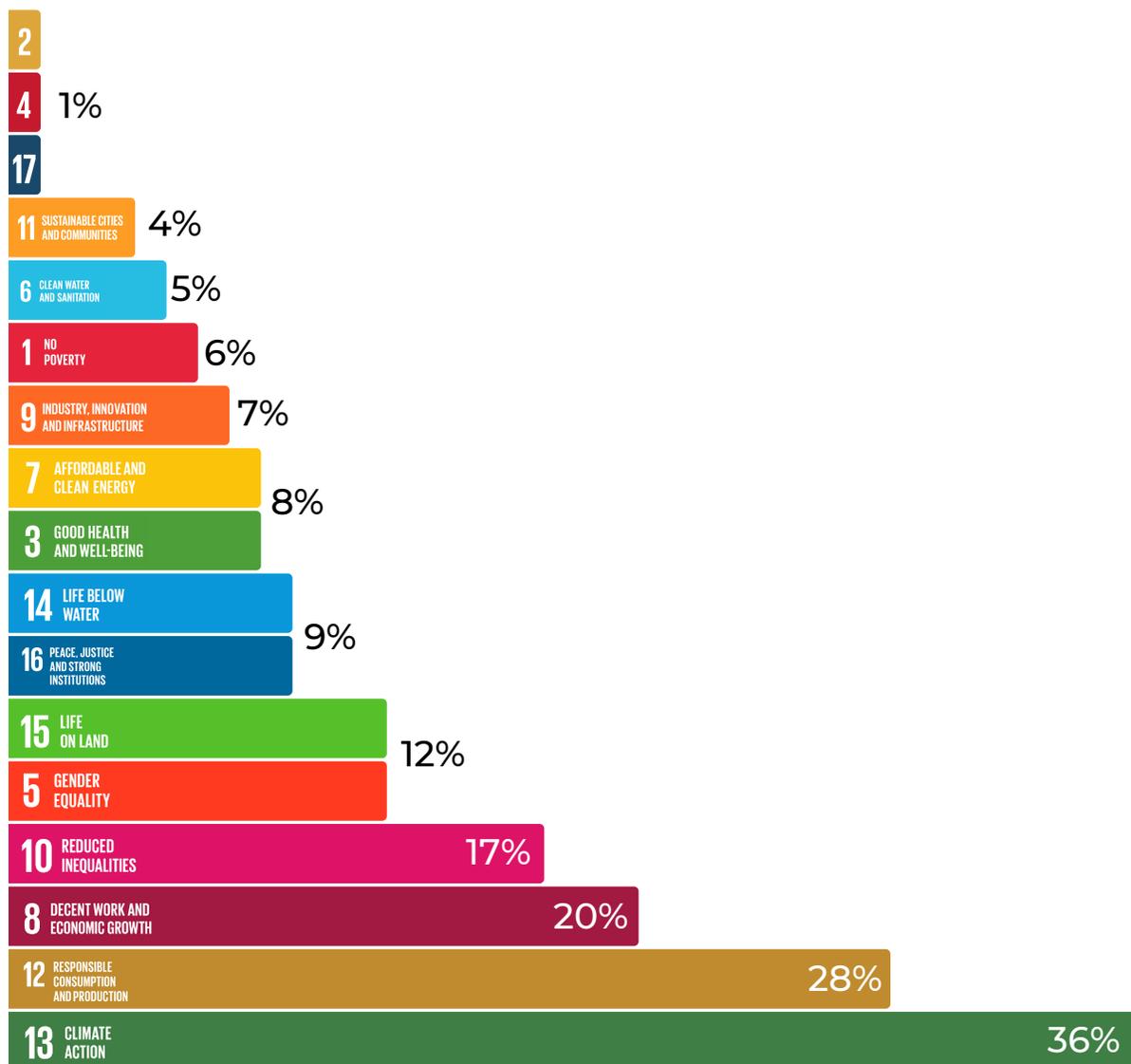
# Regional variability in engagement

Engagement occurred with companies across all continents, with the majority in North America.



## Aligning with the UN Sustainable Development Goals (SDGs)

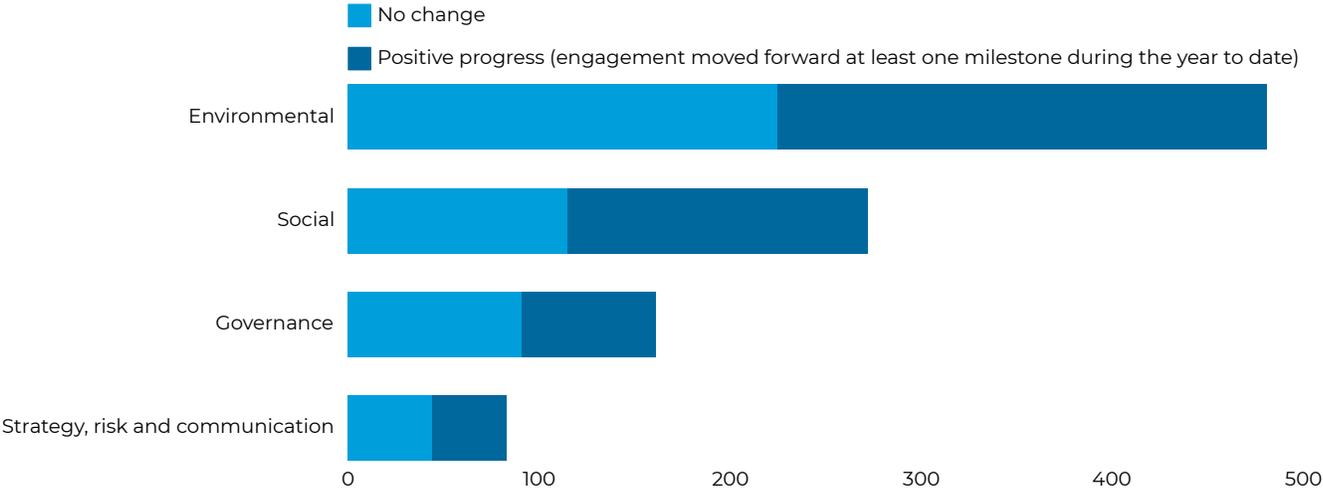
The following graphic shows how the 1,847 engagement objectives and issues we pursued during 2023 align with the SDGs. Notably, SDG 14, “Life below water”, and SDG 15, “Life on land”, saw a doubling in the percentage of engagements compared to 2022, reflecting the increased focus on natural capital with progress stemming from the Biodiversity Conference of the Parties (COP) 15.



\*(One engagement objective or issue can align with more than one SDG.)

# Engagement progress in 2023

We made solid progress in reaching engagement objectives across regions and themes, as at least one milestone was reached for over half of the objectives. The following chart shows the progress made in achieving the milestones set for each engagement.



# Engagement themes

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## Climate Change

In 2023, we saw world temperatures rise past the 1.5°C target set out in the Paris agreement for the first time. In 2021, the UNJSPF strengthened its climate policy through divestment and engagement. As a result, by 2023 the fund had achieved a 40% reduction in financed emissions across its public equities, corporate bonds and private real estate portfolios, thus achieving its 2025 target ahead of schedule. However, there are still many companies that require engagement on a range of climate sub-themes, such as the just transition and transition pathways which can strengthen companies' commitments.

### Engagement example

We continued engaging with one of the world's largest shipping companies and a top 100 carbon emitter globally. Shipping is considered a “hard to abate” sector, as it is challenging to decarbonize due to its fuel density requirements. For this reason, ongoing active engagement with issuers in this industry is critical.

Engagement with the company began in 2016, focusing on the resilience of its asset portfolio to physical risks associated with climate change, and continued through to 2019 to set and disclose science-based greenhouse gas reduction targets, initially for scope 1 and 2 emissions. In 2021, we praised the company's progress in integrating sustainability into its core business strategy, while sharing best practices on lobbying and disclosure on their capital allocation, and aligning with their reduction targets.

In 2022, the company published a more ambitious net-zero target by including scope 3 emissions and pledged their decarbonisation strategy would be aligned with the Science Based Targets initiative (SBTi) 1.5°C pathway. Going forward, engagement will focus on lobbying disclosures as well as the company's role in driving a just transition within the industry.

## Natural Resource Stewardship

The loss of biodiversity has reached unprecedented levels. Up to 1 million species are at risk of extinction and average species population sizes fell by 68% between 1970 and 2016.

Ecosystem collapse poses systemic risks to the global economy and to society. We encourage companies to commit to having a net-positive impact on biodiversity throughout their operations and supply chains by 2030 at the latest. This goal should be accompanied by strong governance, effective measurement, an impactful strategy and regular disclosure.

The sister to the Climate Conference of the Parties (COP), the Biodiversity COP, had its 15th meeting at the end of 2022 and resulted in higher levels of engagement on the topic than ever before. Reversing nature loss is now recognized as fundamental to tackling climate change and mitigating associated financial and social risks. While valuing ecosystem protection will be a focus for policy makers going forward, engagement can help to reduce the most material impacts on nature.

### Engagement example

We held multiple meetings with an American multinational fast-food corporation, both directly and with the Finance Sector Deforestation Action (FSDA) initiative, focused on increasing commodity traceability in the company's supply chain. In response to the company's feedback regarding the challenge of tracing the soy in its cattle feed back to its origin, we highlighted some deforestation tools that the company could use to help improve traceability, which it agreed to consider.

Going forwards, we expect the publication of the Taskforce on Nature-related Financial Disclosures (TNFD) to drive assessment and disclosure of the impacts and dependencies companies have on nature.

## Worker Rights and Living Wage

2023 saw several major strikes across different sectors, including those by US autoworkers, Hollywood creatives, UK rail workers, and warehouse employees across Europe. In the US there has been a strong push to establish unions in the private sector, leaving companies like Starbucks, Amazon and others grappling with how to respond to workers seeking freedom of association and collective bargaining.

In the first nine months of 2023, the US labour movement engaged in 56 major strikes, up 65% from the same period in 2022.

Ignoring worker requests can have a detrimental impact on company productivity and revenue. The United Auto Workers' unprecedented six-week co-ordinated strike action against Ford, GM and Stellantis in Michigan may have inflicted USD \$10 billion in financial damages, according to some estimates.

### Engagement example

EOS conducted an engagement with a large fashion retailer as part of ShareAction's Good Work Coalition. The company said that following a review of its supply chain, it had worked hard to implement changes, but that worker exploitation and modern slavery remained a challenge for the wider industry.

After asking about its pay review process, the company said that it considered a variety of factors including its competitors' pay practices and the UK's National Living Wage, which it aims to exceed. The company underlined the importance of being a profitable business and said it was looking at other ways of rewarding employees, such as granting additional holidays. We encouraged the company to become an accredited Living Wage employer and to increase minimum pay in line with the new UK Real Living Wage of £12 per hour. The company acknowledged our recommendation and said it had seen a positive movement in supply chain retention rates since its pay review last year.

# Collaborative engagement

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## Climate Action 100+

The Climate Action 100+ initiative (CA100+), of which we are a member, has also shown progress in its activities, including:

- In 2023, 77% of focus companies committed to net-zero by 2050 across at least scope 1 and 2 emissions, up 2 percentage points compared to 2022
- 87% of focus companies have set medium-term emissions reduction targets, up from 81% last year
- 91% of focus companies have aligned their climate disclosures with the Taskforce on Climate-Related Financial Disclosures (TCFD) recommendations

Since 2017, CA100+ has grown to 700 signatories representing over \$68 trillion in assets under management (AUM) – more than 50% of the global total.

## Nature Action 100

Nature Action 100 (NA100), launched in 2023, is a global, collaborative, investor-led engagement initiative that aims to support greater corporate ambition and action on reversing nature and biodiversity loss.

It comprises some 190 committed institutional investors, representing or advising \$23.6 trillion AUM, who will engage 100 companies in key sectors to drive necessary protection and restoration of nature and ecosystems.

The UNJSPF, with a group of other NA100 signatories, is currently engaging with two companies: one diversified chemicals company and one multinational convenience store operator. It is early days for the initiative, but we are committed and excited see how developments unfold.

## FAIRR Initiative

The FAIRR Initiative is a collaborative investor network that raises awareness of material ESG risks and opportunities in the global food sector, particularly regarding intensive animal agriculture. Established in 2015, FAIRR counts \$70 trillion in member AUM. Its mission is to build a global network of investors who are aware of the issues linked to intensive animal production and seek to minimise risks within the broader food system.

Through FAIRR, the UNJSPF engages with 21 companies as part of two engagement groups:

*Protein Diversification* – Expanding the variety of sources from which people obtain their protein is essential for mitigating climate, nature and public health risks. Particularly amidst rising animal-protein production and consumption worldwide, diversification is crucial for promoting healthy and sustainable diets. To support this transition, alongside FAIRR and other investors, we co-sign letters to encourage companies in developed markets to:

- Integrate protein diversification into their climate transition plans.
- Follow [Just Transition principles](#) in diversifying their protein portfolio.
- Allocate resources toward expanding alternative protein offerings.
- Implement marketing strategies to increase plant-based protein consumption.

*Waste & Pollution* – Waste and pollution are major drivers of biodiversity loss, which exacerbates climate change and water scarcity. Accordingly, our engagement through FAIRR aims to encourage pork and poultry producers to:

- Conduct meaningful risk assessments for manure and animal waste management, and identify substantive mitigation opportunities.
- Develop and implement action plans to reduce their repercussions on the water supply and biodiversity.
- Leverage manure and animal waste for economic value through investments in circularity, which can reduce emissions from chemical fertilizers, mitigate pollution risks, and improve soil health.

Our participation in FAIRR represents not only our commitment to nature and biodiversity, but also to continually forging partnerships for the benefit of both Fund performance and the health and wellbeing of our people and planet, as encapsulated by the [UN Sustainable Development Goals](#).

## Public policy highlights

Throughout 2023, EOS engaged in various public consultations and meetings with government officials, financial regulators, stock exchanges, industry associations, and other key stakeholders. The goal of policy engagement is to enhance rules and regulations and drive best practices to protect and increase investment value by improving shareholder rights. Below are the select trends and highlights from engagements across regions.

Country/Region	Key activities and highlights
Continental Europe	<ul style="list-style-type: none"> <li>• <b>Climate Target Alignment:</b> Provided feedback on the <a href="#">IIGCC paper</a> regarding cumulative benchmark divergence metrics, expressing support of its goal to better assess the alignment of companies' targets with the Paris Agreement.</li> <li>• <b>Agricultural Subsidies Reform:</b> Co-signed an investor statement with FAIRR, urging G20 Finance Ministers to align agricultural subsidies with climate and biodiversity goals, in line with the <a href="#">Kunming-Montreal Global Biodiversity Framework's</a> objectives to reform harmful incentives by 2025.</li> <li>• <b>Sustainability Reporting:</b> In concert with the Dutch investor group Eumedion, sent letters to Dutch-listed companies outlining our expectations for 2024 sustainability reporting, including adherence to the <a href="#">European Sustainability Reporting Standards (ESRS)</a>, and the <a href="#">Taskforce on Nature-related Financial Disclosures (TNFD)</a>.</li> <li>• <b>Plastics Pollution:</b> Co-signed a letter to EU policymakers supporting ambitious measures in the Packaging and Packaging Waste Regulation (PPWR) to tackle plastics pollution.</li> </ul>
United States	<ul style="list-style-type: none"> <li>• <b>ESG Disclosure Expectations:</b> Urged companies to align with the <a href="#">Task Force on Climate-Related Financial Disclosures (TCFD)</a> framework to prepare for future SEC guidance on climate reporting.</li> <li>• <b>Pipeline Safety:</b> Submitted a comment letter to Pipeline and Hazardous Materials Safety Administration (PHMSA) on proposed pipeline safety rules, advocating for enhanced transparency, comparability and public health and safety measures in gas pipeline leak detection and repair.</li> <li>• <b>Methane Emissions Reduction:</b> Participated as a key investor representative in a Permian Basin workstream led by Ceres, focused on developing technology for accurate greenhouse gas accounting and methane emissions reduction. The outcome aims to be financially material and beneficial for both climate change and industry stakeholders.</li> </ul>

Country/Region	Key activities and highlights
United Kingdom	<ul style="list-style-type: none"> <li>• <b>Renewable Energy and Net-Zero:</b> Supported an amendment to the Energy Bill, enhancing the Office of Gas and Electricity Market's (Ofgem's) mandate to include net-zero and carbon budget objectives. Emphasised the need for swift government action to equip Ofgem to deliver on this mandate, scale up renewable energy infrastructure and address grid connection delays.</li> <li>• <b>Nature in Financial Regulation:</b> Supported the inclusion of a focus on nature in the Financial Services and Markets Bill, advocating for a broader environmental focus beyond just climate change.</li> <li>• <b>Antimicrobial Resistance:</b> Contributed to the development of the UK's National Action Plan on Antimicrobial Resistance (NAP-AMR) for 2024-2029, highlighting the need for holistic approaches that integrate human, animal and planetary health. Recommended creating incentives for companies to develop alternatives to antimicrobials and new treatments.</li> </ul>
Greater China	<ul style="list-style-type: none"> <li>• <b>Board Gender Diversity:</b> Supported the Hong Kong Stock Exchange's amendment to listing rules requiring single-gender boards to appoint at least one director of a different gender by December 2024. EOS played a key role as a steering committee member of the 30% Club in Hong Kong, pushing for increased gender diversity at the board level.</li> </ul>
Japan	<ul style="list-style-type: none"> <li>• <b>Capital Efficiency:</b> Engaged with the Tokyo Stock Exchange to address concerns over cross-shareholdings, encouraging companies with consistently low price-to-book ratios to disclose improvement initiatives.</li> <li>• <b>Corporate Governance:</b> Participated in a virtual meeting with the Asian Corporate Governance Association (ACGA) and Japan's Financial Services Agency (FSA) to discuss the latest action plan, advocating for mandatory disclosure of voting results on cross-shareholdings, which negatively impact capital efficiency and governance.</li> </ul>
Mexico	<ul style="list-style-type: none"> <li>• <b>Board Candidate Disclosure:</b> Advocated for the pre-AGM disclosure of board candidates to ensure shareholders have sufficient information to assess candidates' capacities and independence.</li> </ul>
South Korea	<ul style="list-style-type: none"> <li>• <b>Board Candidate Compliance:</b> Monitored compliance with the Capital Markets Act, which requires gender diversity on boards of listed companies with over KRW2 trillion in assets.</li> </ul>

