



UNJSPF

United Nations Joint  
Staff Pension Fund

# Impact Investing Policy

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# Impact Investing Policy

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# Impact Investing Policy

## Introduction

On 24 December 2021, the General Assembly of the United Nations adopted the below resolution, requesting the Fund to explore impact investing across all the Fund's asset classes.

### 76/246. Special subjects relating to the proposed programme budget for 2022

XIII Administrative expenses of the United Nations Joint Staff Pension Fund

*"21. Recalls the four main criteria for investment utilized by the Fund, and requests the Secretary-General to explore, in consultation with the Investments Committee and taking into account the observations and suggestions by the Pension Board, impact investing for part of the portfolio, including in developing and emerging markets, such as Africa, bearing in mind the real rate of return target, and to report thereon to the General Assembly in his next report"*

Significant progress has been made in the impact investing industry over recent years, with the emergence of best practices and standards. The below document is a summary of how the UN Pension Fund's Office of Investment Management (OIM) approaches Impact Investing and the steps OIM will take to identify and monitor impact investing opportunities. This ranges from screening opportunities, embedding impact considerations in the due diligence and monitoring through to reporting. OIM understands that impact can be achieved through different means, depending on the asset class and the role it plays as an investor. The aim is to use this impact framework across asset classes.

OIM's impact investment allocation complements OIM's existing strategic asset allocation and risk-adjusted returns objectives.

## OIM's approach to impact investing: definition and themes

### Impact investing definition

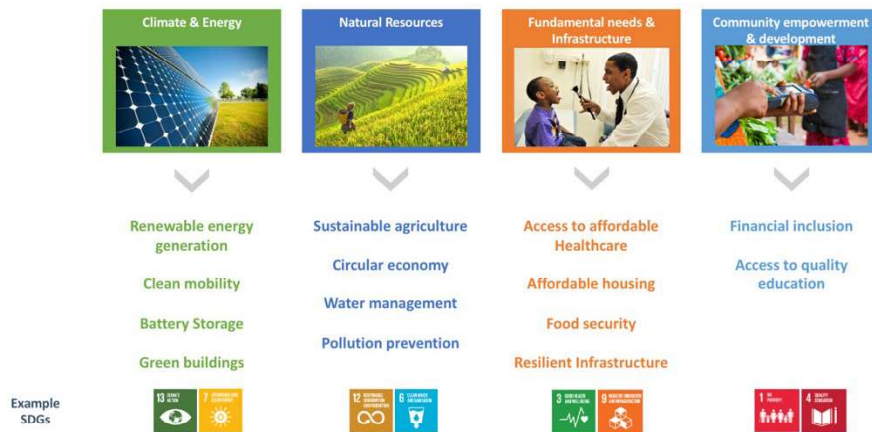
[The Global Impact Investing Network \(GIIN\)](#) defines impact investing as investments with the intention to achieve positive, measurable social and environmental outcomes alongside competitive financial returns. This definition guides OIM's approach to seek out investments that support the advancement of **underserved** global environmental and social challenges. These investments must provide **risk-adjusted returns** and the environmental/social contribution must be **measurable**.

We have identified four key themes that enable us to adequately track areas that we consider an advancement of innovation or social/environmental contributions to be impactful.

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## Impact themes

OIM has identified four key and investable themes to guide our impact investments. Through impact investing, OIM seeks to promote a better society and a healthier planet, helping finance enterprises whose products and services contribute to the achievement of the United Nations Sustainable Development Goals (SDGs).



Through investing in social areas such as fundamental infrastructure and community empowerment & development, OIM can support investments for thriving societies globally, through the development of skills and employability, promoting and enabling safe and healthy lifestyles and through encouraging and achieving gender and racial equality.

Likewise, OIM aims to protect environmental capital, through investing in environmental technologies, natural resources and the fight against climate change. In concrete terms, this means leading the way to a low-carbon economy, contributing to a more circular economy and improving the quality of air and water. These two objectives are quantified both in the selection of investments and in their performance in terms of sustainability KPIs over the investment period.

## OIM's approach to impact investing: selection criteria

OIM has identified four criteria to consider when selecting an investment that qualifies as “impactful”. Such criteria shall be used to identify in due diligence the most relevant investment opportunities and investment managers. OIM’s impact investment activities should be aligned with these dimensions, and we detail below what such criteria entail.

**Defined:** Through impact investments, OIM aims to contribute to generating measurable social and/or environmental benefits, alongside a financial return. Through our research for viable investments, we aim to identify opportunities with a **clearly defined and thought-out impact strategy**.

Any impact investing strategy we select must seek to optimize financial returns, while also aspiring to achieve social or environmental impact. It should always be consistent with our fiduciary duty: the

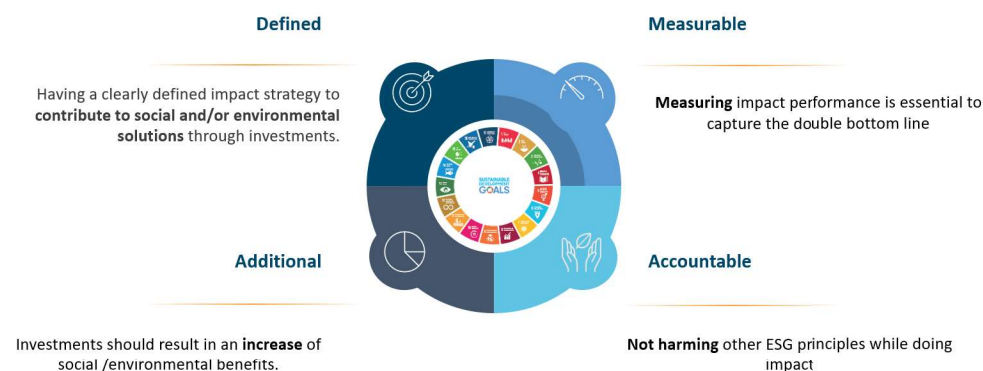
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Fund's assumed real rate of return objective, which currently is 3.5 per cent in US Dollars. Investments must, at the time of initial review, meet the criteria of safety, profitability, liquidity and convertibility as well as impact.

**Additional:** Our impact investments should result in an **increase in social or environmental benefits, that would not have occurred without the investment**. Through our approach, we aim to identify and invest in products and services which are difficult to replace and substitute and which provide an impact, whether through innovation or through serving underserved populations. We aim to assess whether an investment contributes to our defined impact goals, framed using SDGs.

**Accountable:** This is achieved by avoiding certain sectors we deem are not compatible with a responsible/impact approach (e.g., exclusion of fossil fuels), but also through the application of a thorough ESG analysis of an opportunity's indirect impacts to complement our impact assessment. Its objective is to ensure the results of our impact investments are a **net positive for all involved stakeholders** (i.e., introducing new climate-resistant crops but displacing settled communities to gain for farming space). For this criterion, we distinguish between stakeholders directly in receipt of the social/environmental benefit sought through the investment, and stakeholders which are indirectly impacted (including the environment or communities). Along the same lines of "Do no significant harm" criteria introduced by the EU Taxonomy, we wish to ensure that any substantial contribution to an environmental or social objective does not come at the cost of significantly harming another one. This is a fundamental principle for investing in an impact opportunity.

**Measurable:** The achieved environmental and/or social benefits should be **transparent and measurable**. Measuring our investments' impact is an effective way to identify the positive and negative effects our investments have on people and the planet. This will help us evaluate ways to mitigate the negative and maximize the positive in alignment with our goals. Impact measurement and management can help us ensure we are creating additional impact, while also keeping in mind impact measurement is a nascent area. We will ensure that the social and/or environmental externalities of investments match with the impact themes we have established.



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In addition to using the principles to assess investment opportunities, OIM will encourage external managers to adopt these principles in their impact investments and strategies.

## Impact Monitoring & Reporting

Post-execution impact measurement and reporting will allow us to robustly document OIM's impact performance against the targeted impact objectives and SDGs.

### Monitoring

Through annual manager monitoring OIM will carry out thorough reviews of investments' financial and impact performances to ensure interests are still aligned and objectives are on track.

Additionally, to help fulfill its impact objectives, OIM will seek to generate impact through two separate routes: impact generated through our investment activities and impact generated through our continuous conversations and engagements with investee investment managers or companies. Where possible and necessary, OIM will engage in conversations with fund managers or companies to help them improve their impact practices and share expectations as investors.

Impact measurement metrics must be specific to investments with impact and not traditional ESG metrics. OIM will use the IRIS+ as the base of our monitoring process. Managers must be able to show the additional contribution of investments on the environment and communities.

### Reporting

OIMs aims to publish a yearly OIM impact report, based on impact measured and achieved by our underlying investments. We expect both investees and OIM's impact reports to align with industry standards and best practices,

## Investment process and governance

Investment due diligence and sourcing best practices apply equally to both traditional investing and impact-oriented investment opportunities. Impact investing brings additional considerations to the due diligence, monitoring and reporting processes. Sound impact investment requires the identification of opportunities that align with OIM's impact investment thesis and where the assets have been selected to build a portfolio with the appropriate risk/return profile, both from a financial and an impact perspective.

OIM's approach is used alongside our established financial screening and due diligence approach. Both allow us to compare the impact and financial characteristics of funds.

## Impact Investing Policy

The governance of impact investments follows the same structure as non-impact investments. The Private Markets Committee (PMC) and the Internal Investment Committee (IIC) are the main bodies which discuss potential investments, following their respective Terms of Reference.

OIM will also consult with the Sustainable Group of the Investment Committee (IC) on topics related to the impact investing strategy.