



# Stewardship Guidelines

## Engagement and Proxy voting

Unclassified

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The UN Joint Staff Pension Fund (UNJSPF) pursues an active investment-stewardship strategy to complement its other responsible investment commitments. Through proxy voting and engagement, the Fund aims to be an active steward of its investments and align its investments with long-term value creation, pursuing tailored approaches for each asset class.

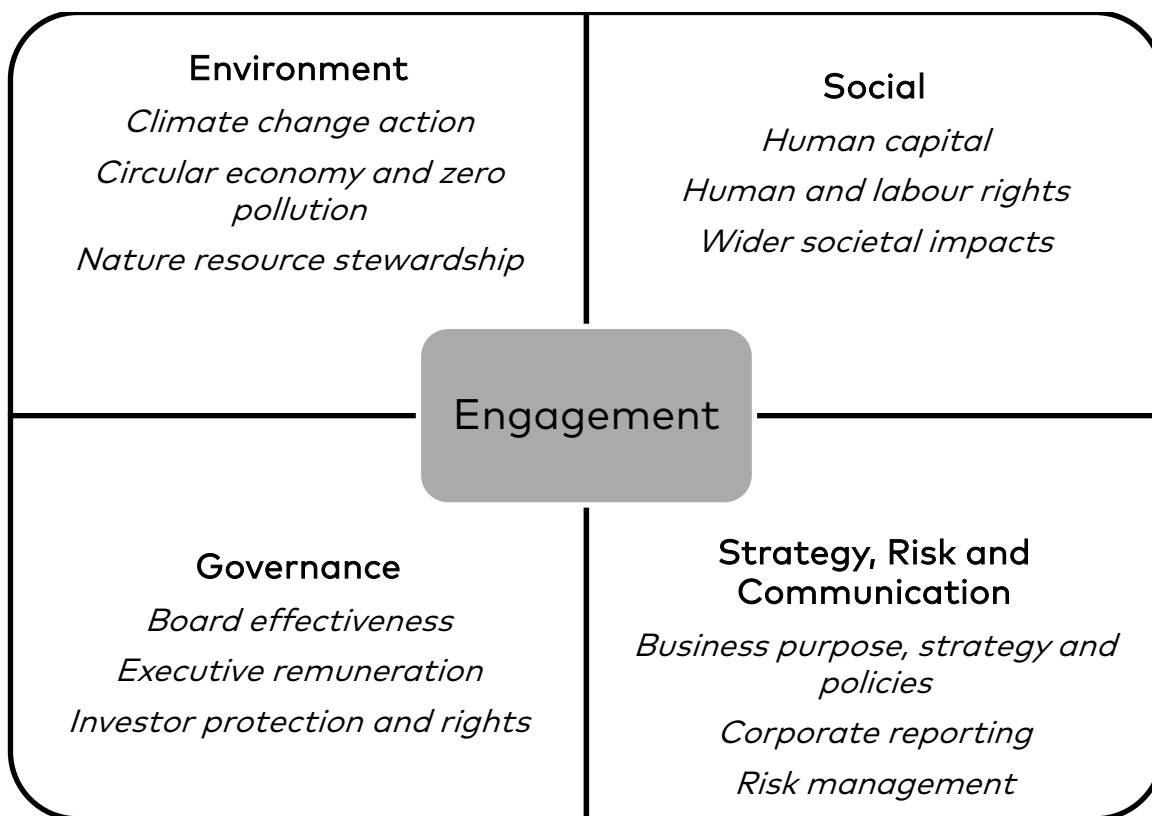
## Engagement

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 considers active ownership and engagement as core contributors to risk-mitigation and long-term value creation for our participants and beneficiaries. We engage with companies directly, and through EOS at Federated Hermes, a stewardship services provider. Our dialogue with issuers and asset managers aims to influence their activity or behaviour to ensure alignment with long-term goals and risk management. This dialogue allows us to address risks to overall portfolio performance due to companies' contributions to sustainability challenges, such as high carbon emissions, resource depletion, labour rights violations or weak corporate governance. Engagement is therefore integral to the Fund's fiduciary responsibility to meet its Long-Term Investment Objective. It also affords us a positive real-world impact by addressing environmental, social and governance challenges through helping to improve corporate practices.

### Our approach to corporate engagement

Corporate engagement is a proactive process aimed at influencing companies to improve their performance on financially material environmental, social and governance issues. Our in-house engagement strategy enhances and complements our collaboration with Federated Hermes EOS, which spans 12 overarching themes and 32 sub-themes. A comprehensive overview of Hermes EOS' engagement themes is provided below.



### *Our engagement objectives*

Engagement efforts are guided by clear objectives to drive meaningful change. We prioritise engaging with companies based on their material ESG risks, alignment with our sustainability goals and feasibility of their achieving engagement outcomes. Our approach sets specific objectives, tracks progress using milestones and escalates where necessary to ensure accountability.

### *Key engagement themes*

#### **Climate Change**

The UNJSPF joined the UN-convened Net-Zero Asset Owner Alliance (NZAOA) in 2020. The NZAOA's Target Setting Protocol – Fourth Edition (April 2024) sets four major targets for its members to reach: engagements, sub-portfolio emissions, transition financing and sector-specific emissions.

Engagement targets are the most important mechanism to drive real world change. The objective of the UNJSPF is to engage with 20 companies that have the highest owned emissions or are responsible for a combined 65 per cent of owned emissions in the portfolio (either directly or via membership/asset manager/service provider), as well as asset managers.

#### **Natural capital**

Natural capital encompasses the world's stock of natural assets, such as forests,

water and biodiversity. These assets provide essential ecosystem services, making nature a critical investment theme for the UNJSPF to mitigate environmental risks, enhance long-term portfolio resilience and capitalise on sustainable growth opportunities.

In 2024, the UNJSPF evaluated its corporate portfolio's nature-related impacts and dependencies. With the use of the ENCORE tool (Exploring Natural Capital Opportunities, Risks and Exposure), the Fund identified how its holdings are exposed to sectors with pollution risks. Water stress also increasingly appears as an area of concern.

The Fund then analysed which companies contributed most to these issues, focusing on their high impact activities and whether they had clear targets to reduce their impact. As a result, the UNJSPF created a focus list of five companies to closely monitor and engage with respect to their natural capital impacts, in addition to continuing to leverage Hermes EOS' engagement.

### **ESG laggards and UN Global Compact fails**

The Fund actively monitors companies that violate the UN Global Compact and those with a CCC ESG rating in the MSCI ESG database, indicating they significantly lag their peers on ESG performance. Given these companies' heightened ESG risks, the UNJSPF seeks to engage with them to encourage improvements and better mitigate material risks.

The UN Pension Fund actively monitors engagement progress achieved by Hermes EOS. Where engagement is not succeeding at the pace needed to protect long-term value, we consider using escalated engagement techniques. This may include direct meetings with senior management or the board, filing shareholder resolutions, or recommending voting against a company director's re-election if they fail to meet our engagement targets. For elaboration, see our escalation strategy, below.

### *Collaborative engagement*

The UN Pension Fund also participates in several collaborative engagements, both through EOS and independently. The Fund actively participates in various engagement initiatives focused on climate, natural capital, and wider ESG issues. We collaborate with other asset owners and managers to engage in dialogue with companies, driving meaningful change through collective action. Below is a list of initiatives we are currently involved in.

Initiative	Description
Climate Action 100+	An investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take appropriate action on climate change in order to mitigate financial risk and to maximise the long-term value of assets.
FAIRR	Raises awareness of the material ESG risks and opportunities caused by intensive animal production.
Nature Action 100	A global investor-led engagement initiative focused on supporting greater corporate ambition and action to reverse nature and biodiversity loss.
Climate Engagement Canada	A finance-led initiative that drives dialogue between finance and industry to promote a just transition to a net zero economy.
Spring	Corporate engagement relating to climate change and biodiversity loss, encouraging companies to improve their practices as well as align their lobbying activities with their sustainability commitments.
IPDD	Public policy dialogue with government authorities and associations to halt biodiversity loss, as well as with other stakeholders in select countries with critically important forests and native vegetation (Brazil, Indonesia, and consumer countries: USA, the UK, the EU).

## Our approach to engagement with external managers

We closely monitor selected external managers' sustainability practices and involvement. This allows us to keep track of their sustainability performance and any potential exposure to reputational risks, as well as identify and share areas of improvement.

The objective of this monitoring and engagement process is to:

- Increase communication and learn of any updates on disclosures made in the due diligence process, targets achievements, or additional resources
- Promote transparency on sustainability performance and results, sustainable partnerships and innovation, as well as on lobbying and financing activities
- Promote integrity by monitoring controversies in conflict with this charter or UN principles
- Track sustainability performance, potential exposure to reputational risk and identify areas for improvement across key topics such as climate change, natural capital and human rights.

## Policy engagement

Through the services provided by EOS, we also engage with legislators, regulators, industry bodies and other standard-setters to make capital markets and the environment in which companies and investors operate more sustainable.

Engaging on public policy and market best practice can 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.

# Proxy voting

## Introduction

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. This 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 Specialty Climate Voting policy of Institutional Shareholder Services (ISS), ensuring a balanced approach that integrates climate and sustainability considerations with sound corporate governance practices. This policy aligns with globally recognised sustainability frameworks, including the UNEP FI, UN Global Compact, GRI and EU environmental and social directives, fostering a consistent and effective reporting and compliance environment. By leveraging these standards, OIM supports corporate actions that enhance long-term value, mitigate financial and reputational risks and drive sustainable business practices.

The guidelines are not rigid policy positions, and OIM considers extenuating circumstances that might call for a different vote than a specific guideline suggests. The Fund closely monitors its proxy voting relative to a priority list made of companies exposed to high ESG risks and the biggest contributors to the Fund's carbon footprint.

## Proxy voting guidelines

### *Board of Directors*

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

Generally, vote for:

- Management nominees in the election of directors, unless there are tangible risks including failure to abide by the four fundamental principles (independence, composition, responsiveness and accountability) or failure to address climate-related risks
- Discharge of directors, including members of the management board and/or supervisory board, unless there is reliable information about significant and compelling controversies indicating that the board is not fulfilling its fiduciary duties such as having adequate mechanisms in place to limit climate-related risks
- Discharge of directors, including members of the management board and/or supervisory board, unless there is reliable information about significant and compelling controversies indicating that the board is not fulfilling its fiduciary duties
- Proposals to fix board size

Generally, vote against or withhold from:

- All incumbent members of the nominating committee if the board is not comprised of at least 40 per cent women or 20 per cent racially or ethnically diverse members
- Directors individually, on a committee, or potentially the entire board due to material failure of governance or fiduciary responsibilities, including failure to guard against ESG or climate risks
- Incumbent chair of the companies that are significant greenhouse gas emitters in cases where the Fund determines that the company is not taking the steps needed to be aligned with a Net Zero scenario by 2050
- Proposals to indemnify auditors
- The introduction of classified boards and mandatory retirement ages for directors
- Proposals to alter board structure or size in the context of a fight for control of the company or the board

In voting, we prioritise appointing board members that can effectively supervise management's performance for the benefit of all shareholders, as well as incorporate climate risk mitigation, net zero goals, social goals and responsible practices overall.

#### *Remuneration and Executive Pay*

**In determining voting decisions for Executive, Director and non-executive Compensation, the Fund believes pay packages should maintain appropriate pay-for-performance alignment, considering global corporate governance best practice, as well as the Climate Policy Global Principles. The following are common instances that may result in an against vote for a remuneration/executive pay package:**

- A company's compensation-related proposal if such proposal fails to comply with one or a combination of several of the global principles (maintain appropriate pay-for-performance alignment; avoid arrangements that risk "pay for failure"; maintain an independent and effective compensation committee; provide shareholders with clear, comprehensive compensation disclosures; avoid inappropriate pay to non-executive directors) and their corresponding rules
- Inappropriate pay to non-executive directors
- Resolutions in cases where boards have failed to demonstrate good stewardship of investors' interests regarding executive compensation practices

#### *Auditor Ratification*

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

- The non-audit fees paid represent 25 per cent 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 have been identified that rise to a serious level of concern, such as fraud, misapplication of General Accepted Accounting Principles (GAAP), etc.

### *Environmental and Social Resolutions*

**The Fund supports proposals advocating sustainability disclosure of universal norms/codes of conduct.**

The Fund opts for a mix of sustainable and climate priorities in proxy voting by incorporating sustainability factors into each aspect of governance decisions, as well as using ISS' Specialty Climate Voting Policy based on principles consistent with good stewardship that incorporates climate change-relevant information, flags and voting recommendations. We understand the severity of climate change as posing a large threat to humanity, as well as a risk of asset loss in a low-carbon future. To tackle this challenge, proxy voting in the context of climate change allows the Fund to actively manage and mitigate exposure to climate-related risks in our portfolio companies.

The Fund aims to prioritise shareholder resolutions calling for climate and nature considerations. As responsible investors, the Fund votes for proposals and requests in relation to increasing investments in clean and renewable energy, increasing energy efficiency, climate and nature reporting and limiting operations in environmentally sensitive areas. We understand our responsibility as the UN Joint Staff Pension Fund to hear shareholders' input on climate and nature-related calls and will vote based on these shareholder proposals.

### **Escalation Strategy**

While engagement remains the primary tool for influencing corporate behaviour, there are instances where it does not yield the necessary progress. In such cases, an escalation strategy is employed to reinforce expectations and apply pressure on companies to address material ESG concerns. This structured escalation process integrates multiple stewardship tools (i.e., engagement, proxy voting and collaborative investor action) to drive accountability and change.

Escalation provides a tool to intensify efforts when companies fail to meet engagement objectives. It begins with enhanced dialogue and direct engagement, moving to collaborative investor pressure, voting against board members and ultimately divestment if progress remains unsatisfactory. By combining these tools, UNJSPF ensures that its approach remains proactive, strategic and aligned with long-term value creation.

The Fund will first interact with EOS' engagement analysts to understand why an engagement was unsuccessful. We will focus on corporate objectives (i.e., engagements for which EOS sets specific milestones) and our focus list (Climate, natural capital, UNGC violators, CCC ratings). We will identify companies for which engagement is "stalling" or "stalled" and unlikely to make progress, and we will check the reason why the engagement has stalled, as the reason may vary by company. This will lead to further targeted engagement, and proxy voting if needed.

The Fund's voting policy as an escalation method is backed by academic research. According to the academic paper "Divestment: Advantages and Disadvantages for the University of Cambridge", by Ellen Quigley, Emily Bugden and Anthony Odgers: "even when a shareholder resolution is successful, the evidence on implementation rates [of the proposal] is dispiriting (...) Interestingly, implementation improves substantially when a vote-no strategy (shareholders voting against the re-election of board members) is employed, however; Ertimur et al (2011) 'find a decrease of excess CEO pay in firms targeted by vote-no campaigns'(...) Thus voting against board members, a relatively rare tactic, may be significantly more effective than the much more common tactic of filing advisory shareholder resolutions."<sup>1</sup>

When we take voting action as part of our escalation process, below are the recommended votes:

- Vote against directors
- Vote against proposals in the following order:
  1. First option: vote against the Board chair (in the US: governance committee chair)
  2. Unless:
    - There is a joint chair-CEO
    - The chair is newly appointed
    - The chair is not up for re-election
  3. Then:
    - Chair of the sustainability/CSR committee (or members), or
    - Chair of the risk committee (or members), or
    - Chair of the audit committee (or members), or
    - Lead Independent Director
    - Other directors

Below is an overview of the engagement process from start to finish and how escalation is applied at each stage:

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<sup>1</sup> Quigley, Ellen and Bugden, Emily and Odgers, Anthony, *Divestment: Advantages and Disadvantages for the University of Cambridge* (October 1, 2020). Quigley, E.C., E. Bugden, and A. Odgers. 2020. "Fossil Fuel Divestment: Advantages and Disadvantages for the University of Cambridge." Cambridge, UK. [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3849513](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3849513)

<sup>2</sup> [ShareAction](#) – RISE Paper 2 – Introducing a standardized framework for escalating engagement with companies

