



UNJSPF

United Nations Joint
Staff Pension Fund

OFFICE OF INVESTMENT
MANAGEMENT

Sustainable Investing Overview for Institutional Investors

ORTEC

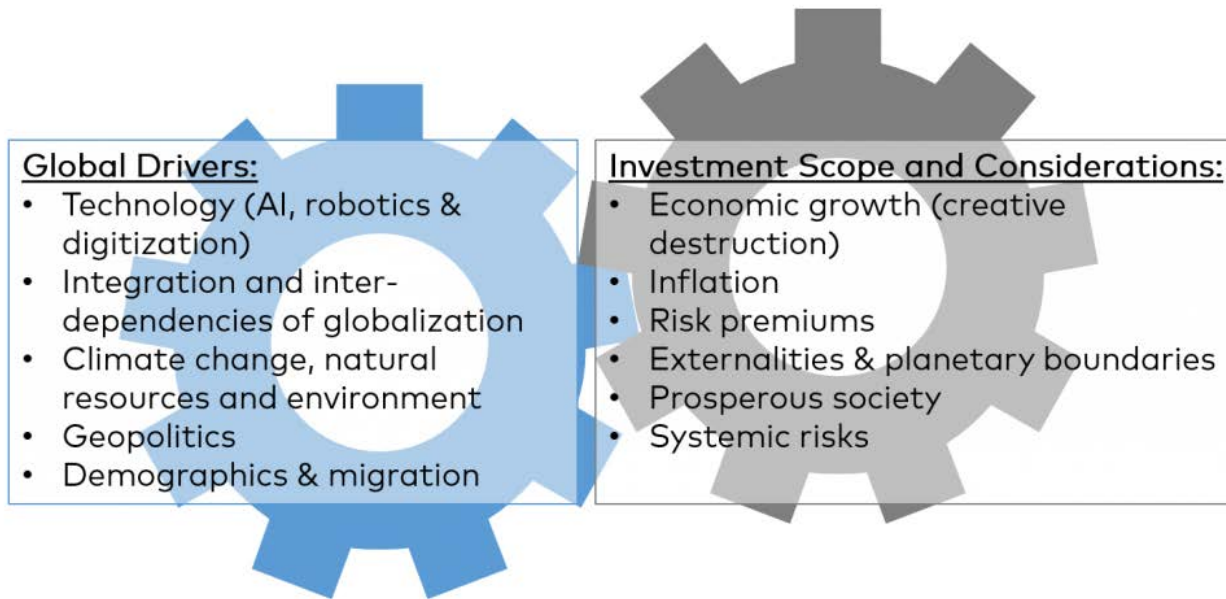
ORTEC FINANCE CLIENT CONFERENCE 2019

INTRODUCTION: WHO ARE WE?

The United Nations Joint Staff Pension Fund (UNJSPF) is a defined benefit fund established by the General Assembly of the United Nations in 1948

- The Office of Investment Management (OIM) manages a US\$65 billion multi-asset class, global investment portfolio, 85% of which is actively managed in-house.
- Invests globally in over 100 countries and regions, and in multiple asset classes (global equities, global fixed income, private equity, real estate, infrastructure, timber, and commodities).
- Entrusted to provide retirement, death, disability and other benefits and related services to its participants, retirees and beneficiaries, currently comprising over 205,000 staff and retirees of the United Nations and 23 other organizations admitted to membership in the Fund.
- Has a long-term investment return target of 3.5% real annualized in USD terms, which it has to achieve while remaining within approved risk tolerance parameters and meeting investment criteria mandated by the General Assembly.

WHY SUSTAINABILITY MATTERS: A WORLD IN TRANSITION



Traditional management and investment thinking has been very linear. *“Markets do look efficient under certain circumstances, namely, when investors have had a chance to adapt to existing business conditions, and those conditions remain relatively stable over a long period”* (Andrew Lo, Adaptive Markets, 2017).

RETHINKING FINANCE AS A FORCE FOR GOOD

“The survival of firms depends as much as we do on the maintenance not only of physical and financial capital but also of natural, human, and social capital” (Colin Mayer, Prosperity: Better business makes the greater good, 2018).





SUSTAINABLE FINANCE DRIVERS

- Policy setting by Governments (EU action plan for sustainable finance)
- Financial Standards (SASB, GRESB)
- Reporting (PRI, TCFD, GRI)
- Vendors (MSCI, Sustainalytics, Bloomberg, Arabesque S-Ray)
- Sustainable Stock Exchanges Initiative
- Rating Agencies implementing ESG in methodology (Fitch, Moody's, S&P)
- Civil Society (NGOs, Multi-lateral Organisations)
- Members of pension funds
- Technology (AI, Machine Learning & big data) and non-financial data

IMPACT LEVERS FOR ASSET OWNERS – BOUNDED BY FIDUCIARY RESPONSIBILITY

- Asset allocation (capital allocation)
- Theme investing (renewables, green bonds, low carbon ETFs etc.)
- ESG integration (incorporating ESG metrics into investment process)
- Active management
- Hard or soft divestment (at sector or security level)
- Engagement - including proxy voting (single or coordinated)
- Reporting & communication to stakeholders

ORGANIZATIONAL REQUIREMENTS FOR ASSET OWNERS – WHAT DOES IT TAKE?

- Leadership
- Culture
- Governance
- Investment beliefs and policy
- Technology & Innovation
- Implementation
- Risk Management & Reporting

OUR GOAL: SUSTAINABLE INVESTING ACROSS ALL ASSET CLASSES

OIM is in the process of integrating ESG considerations



- The UNJSPF aims to holistically integrate ESG metrics into the investment process, so that portfolio managers have a broader set of tools to make more optimal investment decisions
- For internally managed equity, we are piloting a four stage process, tailored around PRI's recommendations
- The UNJSPF external advisors for private markets integrate a comprehensive analysis of ESG issues into their due diligence process

PROCESS OF INTEGRATION: TECHNOLOGY, DATA & PARTNERSHIPS

ESG Universe Radar Screen: Reputational Risk Management & Universe Monitoring



PUBLIC SPHERE

ESG Portfolio Analytics: Snapshot Scoring, Custom Screening, Attribution & Carbon Intensity & Footprint Analysis



ESG Company Analytics: Deep-dive Analytics, Scoring & Trend Summary & Qualitative Analysis



Corporate Engagement: Company Engagement, Record Retention and Proxy Voting (ESG & Controversies)



PRIVATE SPHERE

FORWARD LOOKING: FROM CARBON FOOTPRINT TO INCENTIVIZING CARBON TRANSITION

	Climate Transition Approach	Carbon Foot Print Analysis
Computation Strategy	Top- Down approach: extract signals from global climate model and energy transformation using price movements at company level	Bottom-Up approach: Aggregate data at plant level, supply chain level for Scope 1, Scope 2 and Scope 3 emissions and then aggregates it at company level
Nature of Data	Predictive and forward looking	Backward looking
Scenario Analysis	Global energy model forecasts outputs for multiple socio-economic, policy and climate scenarios that can be translated at asset level.	Less possibility for scenario analysis
Output	Transition Risk (Climate Risk Exposure)	Emission Score (Environmental Score)
Model	Data driven	Self reported CDP data and its aggregation
Nature	Looks more into energy transitions. Even big polluters can have a favorable scores if they are transitioning towards low carbon sources	Looks into absolute carbon foot print at a period in time. This approach is favorable to some industries and sectors.
View	Macro-economic indicators	Micro Level Realizations

ENGAGEMENT THROUGH ENCOURAGEMENT

- A sustainable voting policy combined with an engagement approach, creates more effective impact and change consistent with our mission
- The Fund believes in a collaborative and productive dialogue with company management in order to affect corporate behavior and advocate for better action and outcomes.
- Sustainability voting policy seeks to promote sustainable business practices and stewardship that advocates for improving the environment, fair labor practices, non-discrimination, and the protection of human rights.
- OIM believes that engagement delivers greater and more enduring long-term impact, and divestment from individual investments is always available as an option in the event engagement does not produce the desired results.



Q & A

“Climate action is gathering momentum not just because it is a necessity but also because it presents an opportunity – to forge a peaceful and sustainable future on a healthy planet.”

ANTÓNIO GUTERRES, United Nations Secretary-General

SUSTAINABLE DEVELOPMENT GOALS

