

# UPP Response to UTFA Executive Committee members' questions



**Please see below UPP's responses to the list of questions generated by UTFA Executive Committee members to help inform future conversations between UTFA and the UPP. To start, we include an overview of UPP's approach to responsible investing and governance context, including recent advances to our exclusions analysis, which serves as important background to the responses that follow.**

We know that our member community holds deep and diverse views, and that global conflicts and human rights issues can cause profound concern and distress. We approach all conversations on these topics with empathy and respect, and we take these issues seriously in our work.

We also recognize that some members expect UPP to consider these issues through a moral and social lens. Our role, however, is defined by fiduciary and legal obligations that require every investment decision to be made in the long-term financial interests of all members and beneficiaries. Our foremost responsibility is to act with care and loyalty, prudently managing the pension fund so members can count on their pensions now and in the future.

Fiduciary duty and responsible investing are not necessarily opposing ideas; they work together to protect members' pensions by identifying and addressing real-world risks that affect long-term performance. While our mandate does not permit decisions based on moral or political grounds, it requires us to assess and manage material risks in a systematic and evidence-based way. This ensures decisions are grounded in data, fiduciary judgment, and the best available research.

We integrate environmental, social, and governance (ESG) factors across all asset classes to identify and manage material risks that could affect long-term value, such as human rights, climate change, corporate governance practices and risks related to conflict-affected and high-risk areas. Our focus is maintaining a strong and resilient Plan so we can pay pensions for generations to come.

## About UPP's Responsible Investing Approach

UPP is committed to responsible investment practices that support effective risk management and long-term value creation, helping to deliver stable retirement benefits for members over time. We integrate material environmental, social and governance (ESG) considerations into our investment strategy as a matter of both risk management and stewardship. These practices are reflected in our [Responsible Investing Policy](#), [Proxy Voting Policy](#), [Climate Action Plan](#), [Investment Exclusion Policy](#), and other publicly available documents.

Specifically, our Investment Exclusion General Parameters (in the appendix of the Policy linked above) set out criteria for excluding, among others, (i) producers of weapons that violate international treaties upheld by Canada, and (ii) companies causing or contributing to severe environmental or social harm that is so egregious that engagement would be ineffective. Exclusions are grounded in rigorous research and reviewed regularly to ensure they remain current, credible and expected to serve the best long-term interests of members and beneficiaries.

**Direct Investments:** UPP holds no direct investments in companies that meet our exclusion criteria.

**Indirect Investments:** UPP invests through a range of vehicles, including pooled funds that provide access to specialized strategies, scale advantages, and diversified markets that help manage risk and cost effectively. While pooled funds generally cannot be tailored to individual investor screens or restrictions, we work closely with external managers to apply our exclusion policy to the extent possible.

To strengthen oversight and apply our standards more directly, UPP has transitioned a significant portion of its public market holdings from pooled funds to segregated accounts, enabling greater control and direct application of our responsible investment standards. As a result, approximately 70% of UPP's public equity portfolio is now directly subject to our exclusion and proxy voting policies.

Decisions to exclude companies are made with careful consideration of both financial impact and our obligation to sustain pension payments. Many multinational companies have complex global operations with diverse business lines and revenue streams, making them active across several industries. Categorizing a company for exclusion therefore requires nuanced analysis and a high threshold of evidence.

### Ongoing stewardship

Our stewardship approach focuses on long-term, systemic issues that require sustained engagement. We collaborate with other investors to amplify our influence and drive change through partnerships with Climate Engagement Canada, Climate Action 100+, and SHARE.

UPP also actively engages with investment managers to encourage them to refine their responsible investment approaches. We conduct thorough analysis before manager appointments and continuously monitor managers to ensure ongoing alignment with evolving market conditions, global standards, and our own responsible investment expectations.

## Enhancements to Our Exclusions Analysis

Amid rising global instability, UPP has strengthened its approach to assessing companies operating in conflict-affected and high-risk areas over the past 18 months. Our process draws on third-party specialist research and data to identify companies with documented involvement in severe adverse impacts, guided by the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct.

The analysis integrates a range of inputs, including UN reports, independent and academic research, reputable media, and member perspectives. In fulfilling its fiduciary duty to protect members' retirement security, UPP evaluates this information to identify where actual or potential impacts may present material business, operational, or investment risks to the Plan. Findings from this analysis directly inform exclusion and engagement decisions. Exclusion parameters are approved and overseen by Trustees, while individual company exclusions are determined by the Management Investment Committee and reviewed by the Board of Trustees.

In 2024, UPP partnered with the [Heartland Initiative](#) to deepen our understanding of potential exposures and financially material human rights risks across geographies and industries. This partnership, the first of its kind among Canadian pension plans, enhances our ability to identify and manage systemic and company-specific risks associated with conflict-affected and high-risk areas.

While UPP's exclusion list includes sensitive and proprietary information, we can share that, to date, UPP has excluded hundreds of companies representing tens of millions of dollars in holdings and more than 4% of our global public equity benchmark. Approximately 1% of this total was added in 2025 under our general parameter addressing severe adverse social or environmental impacts that cannot be mitigated through engagement and is related to conflict-affected and high-risk areas.

UPP continues to review and enhance its procedures to ensure that exclusion decisions remain consistent and in the interest of plan members and beneficiaries. This includes regularly assessing the application of policies, updating them as global standards and data evolve, and integrating new research. We are also engaging other pension plans in discussions about these risks and sharing the approach we have adopted.

## About UPP's Governance Structure and Investment Decision Making

UPP's governance model is founded on shared accountability and independent oversight. Our Plan Sponsors, represented equally by employers and employees through their respective Sponsor Committees, set the Plan's core terms and conditions, including contribution rates, benefit formulas, and funding policy. They also approve the admission of new employers to the Plan and appoint the Plan Administrator.

The Board of Trustees acts as the legal administrator of the Plan, providing independent oversight of plan operations and investment management to ensure that all decisions serve the best long-term interests of members and beneficiaries.

To guide this work, the Trustees establish and monitor UPP's Statement of Investment Policies and Procedures (SIPP), supported by a series of detailed policies and frameworks. Together, these guiding documents define how investment decisions are made, set parameters for managing risk, and ensure alignment with the Plan's objectives and legal obligations. Our SIPP is publicly available on UPP's website.

## **UPP Response to UTFA Executive Committee Questions**

*In the past, can UPP provide examples of how it has shifted its investments in response to political issues such as climate change, or investments in Russia following the invasion of Crimea or Ukraine?*

UPP's investment exclusions are not politically driven but rather are based on extensive analysis, as outlined above, of investment risks that cannot be mitigated through stewardship or engagement. For instance, climate risk is a systemic risk with clear financial implications, and we manage it as part of our broader investment strategy. This includes both excluding certain assets and investing in climate solutions.

In the case of Russia's invasion of Ukraine, UPP saw clear market and geopolitical signals indicating that Russian investments would not be viable over the long-term. Major index providers were removing Russian securities from their benchmarks within days of Russia's invasion and countries, including Canada, were beginning to impose coordinated, international trade sanctions. These legal and market developments created a clear path for divestment.

UPP's divestment from Russian assets was predicated on legally binding actions by the Canadian government and the further removal of Russian securities from major global investment indices.

*What is the current process UPP uses to review and respond to divestment requests and are any changes being considered to this process going forward?*

As a jointly sponsored pension plan, UPP's investment decisions are made independently by the Board of Trustees and Management in accordance with our legal and governance responsibilities. Our work is guided by the *Pension Benefits Act* and other applicable laws, which require that all investment decisions be made in the best long-term financial interests of members and beneficiaries.

Member motions and divestment requests are carefully reviewed by an internal working group of senior leaders and shared with UPP's executive leadership, Board, and then UPP's Joint Sponsors, as appropriate. This internal working group of senior leaders coordinates the review process, engages relevant internal and external experts, and ensures appropriate follow-up.

While member motions and divestment requests are not binding under UPP's governance structure, we consider them as important inputs that inform our research, risk assessment, and communications.

We recognize the importance of communicating how responsible investment policies are implemented and will continue to keep members apprised of our core policies and processes.

This includes public disclosure of many of our investment and responsible investing policies and plans, our top holdings over \$5 million, and any updates to our exclusion criteria on our website, including the following recent resource: <https://myupp.ca/upps-investment-exclusion-policy-what-to-know/>.

*Is UPP committed to respecting human rights and international law? For example, on 19 July 2024, the International Court of Justice concluded that Israel's occupation of the Palestinian territories is unlawful.*

We recognize that the ongoing conflict in Gaza has resulted in immense human suffering and loss of life, and that many in our community are deeply affected by these events. UPP follows all laws and regulations that apply to the Plan and the funds in which we invest. Any fund or manager we work with is also required to comply with applicable laws and regulations. Our approach is further guided by international standards, including the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Responsible Business Conduct.

These frameworks help us identify and assess environmental and social risks in our portfolio and prioritize them based on severity of harm and relevance to UPP. All such work is overseen by the Board of Trustees through regular reviews of Management's progress and policies.

We continue to update our analysis as new findings from international bodies and credible independent research groups emerge, integrating those insights into our monitoring and engagement practices.

*How is UPP responding to the legal implications of UN Special Rapporteur Francesca Albanese's latest report "From economy of occupation to economy of genocide," which documents the financial reach of Israel's ongoing genocide in Gaza and that names over 45 companies that are complicit in the genocide being committed by Israel?*

Reports from the UN and reputable research organizations are important references that help us understand and evaluate the complex human and economic dimensions of global events.

UPP continually reviews credible research and data sources to identify companies potentially linked to severe harm, and evaluates their relevance to the Plan's holdings. Where heightened risks are identified, they are escalated through our stewardship or exclusions process. In other cases, we continue to monitor for a lack of verifiable progress before taking further action. This process ensures we respond consistently, responsibly and in accordance with our fiduciary obligations and applicable laws.

*How is UPP planning to live up to its own ethical commitments, in response to the UTFA vote that asks it to divest from corporate entities that profit from Israel's human rights violations and war crimes of genocide (70% of recorded deaths have been women and children), extra-judicial killings, illegal occupation, and the intentional starvation of civilians (mainly children)?*

We recognize the immense human suffering resulting from the ongoing conflict, including the devastating loss of civilian life and the reports of widespread harm to children and families.

These are deeply distressing realities, and we understand the strength of feeling and conviction expressed through the UTFA vote.

UPP's ethical and legal responsibility is to act in the best long-term financial interests of all Plan beneficiaries and to administer the Plan in full compliance with its governing documents and applicable laws. Within that framework, we take issues of human rights and conflict-related harm seriously and are continuously strengthening how we assess and address these risks in our portfolio.

Over the past year, we have enhanced our processes for evaluating companies operating in conflict-affected and high-risk areas, drawing on independent research and expert guidance. These updates have led to additional company exclusions where the risk of severe social or environmental harm could not be mitigated through engagement.

*How will UPP respond to the legal implications of Albanese's report that mentions two pension funds (GPFQ and Caisse de Dépôt et Placement du Québec), which, despite their claims of "comprehensive ethical guidelines," continue to invest in companies named in the report?*

We are aware of recent reports referencing other pension funds. Each plan operates within its own mandate, governance structure, and legal frameworks which guide investment decision-making.

UPP's focus remains on ensuring that all investments are managed responsibly and in full compliance with Canadian and provincial law and international standards recognized by Canada. We monitor developments globally and incorporate new research and best practices into our processes where relevant.

*Like the pension funds named above, UPP may be held accountable even if it has complied with domestic laws where it operates. In other words, compliance with domestic laws does not preclude responsibility or liability. How is UPP accountable to UTFA members and to this possibility?*

We closely monitor and review research and findings from reputable global institutions to identify potentially material financial and operational risks, adjusting our approach as appropriate.

UPP's accountability to members is embedded in its governance structure, which includes representation from both employees and employers and oversight from an independent Board of Trustees. Our responsibility is to manage the Plan prudently so members can rely on their pensions being secure over the long term.

Transparency is a core element of our approach. We publish our responsible investing policies, top public holdings, and regular updates on our exclusions and engagement practices. We also continuously review legal, risk and compliance considerations to ensure that our actions remain aligned with Canadian laws and the international standards recognized by Canada.