

August 30, 2024

To: John Ankenman, President, USW1998

Dear John,

Thank you for your open letter dated August 20, 2024 informing us of the divestment motions passed by the United Steelworkers (USW) Local 1998. We acknowledge the concerns raised and your engagement on this complex and evolving situation. We want to assure you that we take the societal impacts of our investments seriously.

Background on UPP's investing approach

UPP's investment strategy is driven by our obligation to fulfill current and future member benefits, in line with our fiduciary duty. Consistent with that duty, our policies and commitments include the systematic consideration of environmental, social, and governance (ESG) factors within UPP's investment management and stewardship practices. Such factors are used to effectively manage risk and assess investment opportunities based on material financial considerations.

We integrate financially material ESG factors across our investment strategy, guided by publicly available guiding documents and policies that include:

- [Investment Beliefs](#)
- [Statement of Investment Policies & Procedures](#)
- [Responsible Investing \(RI\) Policy](#)
- [Proxy Voting Policy](#)
- [Investment Exclusion Policy and Investment Exclusion List – General Parameters](#)
- [Climate Action Plan](#)
- [Climate Transition Investment Framework](#)

Most day-to-day management of the investment portfolio, including the buying and selling of individual holdings, is executed by third-party investment managers. It is, therefore, essential that the Fund employs managers who demonstrate strong responsible investment principles in managing their portfolios and whose values align with those of the Fund. We collaborate with our investment managers to refine their responsible investment approaches, conducting thorough analysis before their appointment and continuously monitoring them to ensure they remain effective and evolve with market and environmental changes.

Given the complex and quick-evolving nature of ESG matters, we regularly review our responsible investing policies and principles in light of changes in the broader economic, social and geopolitical environment. We are currently assessing several new considerations, including inequality and conflict-affected and high-risk areas.

Divestment from Military Suppliers

UPP's Investment Exclusion Policy and General Parameters (linked above) outline the criteria for excluding companies from our portfolio. This includes any producers of weapons that violate treaties Canada upholds as well as companies causing or contributing to significant adverse social or environmental impacts.

Direct Investments

With respect to direct investments, we can confirm that UPP holds no direct investments in companies falling under either General Parameter.

Indirect Investments

To address the long-term cost of pensions for Fund members, the Fund employs a variety of investment vehicles and strategies, including low-cost passively managed portfolios designed to replicate broader market exposure. This approach allows the Fund to efficiently gain exposure to a diverse range of companies across various sectors and appropriately diversify risk and returns. While these pooled funds are not typically structured to accommodate screens or restrictions by any one investor, we work closely with managers to apply our exclusion policy to the extent possible, including transitioning pooled fund investments into segregated accounts where we can execute our investment exclusion policy directly.

Where UPP's exclusion policy is applied across segregated funds, we can confirm that UPP has no indirect holdings in companies falling under its Investment Exclusion General Parameters. We continue to work diligently to apply UPP's investment exclusion policy to an increasing proportion of the portfolio.

On company-specific exclusions

Many companies operate as global conglomerates with complex business structures encompassing multiple business lines and revenue streams, making it difficult to categorize companies into specific sectors and sub-sectors. Therefore, decisions to exclude certain sectors or companies require nuanced and careful consideration. UPP does not exclude companies without a financial rationale or without considering the implications for our ability to pay pension benefits.

Ongoing stewardship

Our engagement strategy is long-term, aiming to address systemic issues requiring substantial change. We collaborate with like-minded investors to amplify our voice and pressure companies to make changes through partnerships with Climate Engagement Canada, Climate Action 100+ and SHARE. As set out in our Stewardship Plan, social equality and human rights remain a priority engagement area for UPP and one we actively monitor and address in our company engagements. At a minimum, and in line with our stewardship beliefs, we expect our investee companies to comply with relevant laws applicable in the jurisdictions in which they operate and to comply with the United Nations Guiding Principles on Business and Human Rights.

Thank you again for reaching out with your concerns. We will monitor and evaluate these ongoing risks in line with our responsible investing framework and policies, with ongoing disclosures. We hope to continue in partnership as we work to grow a strong, resilient fund that secures retirement benefits for members today and far into the future.

Sincerely,

Gale Rubenstein, Board Chair, and Barbara Zvan, President and CEO, UPP