New York State
Common Retirement Fund

CLIMATE ACTION PLAN PROGRESS REPORT

New York State Comptroller
THOMAS P. DiNAPOLI

July 2024

Message from the Comptroller

As Trustee of the New York State Common Retirement Fund, I have the responsibility to safeguard the Fund's investments, which I manage for the benefit of the more than one million participants in the New York State and Local Retirement System. To foster long-term financial success, I believe it is essential to address climate risks and opportunities in the Fund's portfolio.

Climate risks and opportunities are the focal point of the New York State Common Retirement Fund's fourth annual Climate Action Plan Progress Report. The Report outlines our ongoing efforts to manage climate-related risks, pursue opportunities and achieve net-zero greenhouse gas emissions across the Fund's diversified portfolio by 2040. Over the past five years, the Fund has advanced the Plan's key action items, including exceeding our $20 billion goal for sustainable and climate solutions investments, assessing and engaging portfolio companies to determine their readiness for the transition to a net-zero economy and asking companies to build resilience to physical risks.

In the last year, the Fund reassessed coal, oil sands, and shale oil and gas companies, which resulted in continued investment restrictions for forty companies, and new restrictions on six additional coal companies and four additional shale oil and gas companies. In February 2024, the Fund completed its first review of integrated oil and gas companies and announced the Fund would divest its corporate bonds and actively managed public equity holdings in eight integrated oil and gas companies that it determined are not transition-ready. Next, the Fund will focus on major utilities in the United States — companies that are among the highest emitters of greenhouse gases — but also potential leaders in developing climate solutions.

In addition, in February 2024, the Fund announced new measures to address climate risks and opportunities. These include: a new goal of investing $40 billion in the Sustainable Investment and Climate Solutions Program by 2035, a prohibition on new private market investments in funds focused on the extraction or production of oil, gas and coal, and the updating of proxy voting guidelines to support increased disclosure of climate transition plans, risks and opportunities by public companies.

Climate change is an increasingly urgent risk facing all investors, and I am determined to protect the state's pension fund by prioritizing the mitigation of this significant risk to our investments.

Thomas P. DiNapoli
State Comptroller

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Introduction: Climate Action Plan

The 2019 Climate Action Plan (Plan) describes the climate beliefs of the New York State Common Retirement Fund (Fund or CRF) and delineates a set of actions for mitigating climate change-related investment risk and investing in climate solutions. Key components of the multi-faceted plan include:

- active engagement with portfolio companies and managers;
- developing and utilizing industry-specific minimum standards and risk assessments to evaluate companies in high-impact sectors on their readiness to transition to a low- carbon economy;
- strong public policy advocacy at the international, federal and state levels; and
- $20 billion (at time of adoption) for the Fund's Sustainable Investment and Climate Solutions (SICS) Program.

In 2020, Comptroller DiNapoli set a goal for the Fund to realize net-zero greenhouse gas emissions across the portfolio by 2040. In March of 2021, the Fund joined the Paris Aligned Investment Initiative and later that year set an interim goal for the Fund of 50 percent alignment with a 1.5-degree scenario by 2030. In addition, the Fund adopted interim engagement and investment goals for 2030 that include actively engaging with 50 percent of the Fund's publicly traded assets in high-impact sectors on net zero by 2040 and investing at least 75 percent of the SICS program in climate solutions.

In February 2024, the Fund announced it had set a goal of doubling its SICS Program to $40 billion by 2035. This includes an increase in the Fund's climate index investments by 50 percent to more than $10 billion over the next two years, with the longer-term goal of doubling it by 2035. The Fund also announced a prohibition on new private market investments in funds focused on the extraction or production of oil, gas and coal.

Assessments

The Fund remains committed to assessing its climate risks and measuring progress toward its climate goals, though significant challenges related to data and modeling remain. While identifying, developing and applying climate assessment tools is difficult, the Fund has continued to use the following assessments to better understand how climate risks and the energy transition could affect the Fund's investments.

High-Impact Sectors Exposure Analysis

The Fund assesses its investments in high-impact sectors identified by the Task Force on Climate-Related Financial Disclosures (TCFD), which was created by the Financial Stability Board under the auspices of the G20 group of nations. The following table presents a breakdown of the value of the Fund's global equity and corporate fixed income investments in these high-impact sectors and industries as of December 31, 2023. The Fund's investments in the energy sector decreased to $4.79 billion in 2023 from $6.13 billion as of December 31, 2022.

Sector / Industry	Total ($ billions) As of Dec. 31, 2023
Energy	4.79
Utilities	3.52
Transportation	2.99
Materials including Forest Products	4.33
Industrials including Construction & Capital Goods	4.59
Agriculture, Food & Beverage	3.54
Real Estate	2.51
Financials	20.99

Carbon Footprint Study

The Fund measured the carbon emissions intensity (scopes 1 and 2 emissions) of its global equity and corporate fixed income portfolios as of June 30, 2023.[1]

The global equity portfolio emissions intensity was 20 percent lower than its benchmark (a composite comprising 72 percent Russell 3000 and 28 percent MSCI ACWI ex-US). Emissions intensity is calculated as a weighted average of companies' carbon footprints (scopes 1 and 2) divided by the total portfolio market value. The portfolio's lower emissions intensity versus the benchmark is mainly due to lower investments in high emitting sectors and higher investments in low emitting companies within high emitting sectors like utilities, materials and energy in the US market. The portfolio's lower investments in the emerging market than its benchmark also contributed to the outperformance. Global equity, however, saw a 4.7 percent increase in year-over-year emissions intensity from 2022, which was due in large part to changes in existing positions' portfolio weights, but also from other changes such as actual increases in portfolio companies' emission intensity, newly invested and sold positions, and companies' market cap changes. The benchmark's total emissions intensity also increased by 6.96 percent largely due to both changes in existing positions' portfolio weights and actual increases in individual benchmark companies' emissions intensity.

Although the corporate fixed income portfolio's emissions intensity as of June 30, 2023 decreased by 17 percent from 2022, the portfolio emissions intensity was 3.8 percent higher than its benchmark (U.S. Bloomberg Barclays Aggregate). The emissions underperformance relative to its benchmark was mainly due to higher investments in high emitting companies in the industrial sector. It should be noted that some of the top emitting companies' emissions reporting is of little value due to problems such as non-reporting and inconsistent data.

The Fund believes that carbon emissions metrics can be useful in assessing transition risks, especially regulatory risks, and can inform the Fund's prioritized engagements. But these metrics, which are by their very nature backward-looking, are not an effective measure of the future direction of companies. The Fund also recognizes that the significant time lag between when emissions occur and when emissions data is verified and reported, makes it even more difficult to derive actionable information from the measurement of portfolio emissions. There are also significant challenges in assessing scope 3 emissions due to limited availability of accurate data.[2]

1 Scope 1 emissions are direct greenhouse (GHG) emissions that occur from sources that are controlled or owned by an organization (e.g., emissions associated with fuel combustion in boilers, furnaces, vehicles). Scope 2 emissions are indirect GHG emissions associated with the purchase of electricity, steam, heat, or cooling.

2 Scope 3 emissions are the result of activities from assets not owned or controlled by the reporting organization, but that the organization indirectly impacts in its value chain such as emissions from the organization's suppliers and sold products.

Temperature Alignment

In order to assess whether the public companies in the Fund's portfolio are on the path to achieving net zero and the Paris climate goals, the Fund measures its global equities and corporate bond holdings' temperature alignment with a 1.5-degree Celsius pathway. The Fund's portfolio alignment assessment uses different data points, factors and models, including companies' historical emissions and reduction trends and emissions reduction goals, as well as public policy impacts and technological advances, to assess whether a company is aligned with a 1.5-degree scenario and on a trajectory to achieve net zero.

As of June 30, 2023, the assessment showed that portfolio temperature alignment improved to 2.4°C from 2.5°C in 2022. The share of the portfolio aligned with 1.5°C increased to 22% in 2023 from 13% in 2022, meaning that an additional $10 billion in the Fund's global equity and corporate bond holdings are now aligned with a 1.5°C future. This improvement was largely driven by the technology sector's increased alignment with 1.5°C. By looking at company climate targets, the assessment found that an additional 16% of the Fund's global equities and corporate bond investments would become net zero-aligned if company targets are met. The Fund's portfolio alignment with 1.5°C is sensitive to assumptions about companies' success in achieving their climate targets, and these assessments inform the Fund's engagement strategies for portfolio companies.

Investment and Divestment

Sustainable Investment and Climate Solutions Program (SICS)

The SICS program is a multi-asset-class commitment targeting sustainable investment strategies including climate-oriented investments. To date, the Fund has committed over $22 billion through the program. In February 2024, the Fund announced it had set a goal of doubling its program to $40 Billion by 2035. The SICS portfolio reflects investments that have met the risk/return criteria of respective asset classes and advance one or more of the Fund's sustainability themes.

Some examples of SICS investments in climate solutions made in 2023 are described below.

- EQT Infrastructure VI ($450 million commitment by the Fund) is an infrastructure fund that makes private investments across Europe, North America, and Asia Pacific in long term trends such as energy transition with a focus on decarbonization and resource efficiency.
- Carlyle Renewable Sustainable Energy Fund II ($200 million commitment by the Fund) is a private equity fund that makes investments in renewable energy sources and energy transition opportunities such as solar, wind, battery energy storage system, and decarbonization solutions mostly in developed markets.
- Copenhagen Infrastructure V (€300 million commitment by the Fund) is an infrastructure fund that makes renewable energy investments including onshore and offshore wind and battery storage in developed Asia Pacific, North America and Western Europe regions.
- Fundamental Partners ($375 million commitment by the Fund) is a North American-based fund which pursues a diverse array of specialty investments primarily in affordable and workforce housing, renewable energy, and infrastructure-related assets.

Transition Assessment and Minimum Standards

The Fund continues to develop transition assessments and minimum standards to evaluate whether portfolio companies in high-impact sectors identified by TCFD are taking steps to transition to a more sustainable business model in line with the emerging net-zero carbon economy. Not all companies within a high-risk sector pose the same investment risks. As such, company-specific analysis and engagement is a key component of our efforts to assess and address risks.

The first step in each transition assessment is to establish an industry-specific assessment framework by identifying key performance indicators to evaluate individual companies' transition readiness. Subsequently, the Fund identifies companies that meet the Fund's threshold criteria for prioritized engagement.

If, after engagement and assessment, companies on this watch list fail to demonstrate minimal transition readiness, the Fund will consider taking investment actions with respect to those companies, such as underweighting, restricting new investments, or divestment, consistent with fiduciary duty to the members, retirees and beneficiaries of the New York State and Local Retirement System.

The Fund's assessment frameworks and individual company analyses have been informed by consultation with climate and investment professionals. To date, the Fund has completed transition assessment reviews of energy-sector companies engaged in thermal coal mining, crude oil production from oil sands, shale oil and gas production, and integrated oil and gas companies.

Thermal Coal Mining and Oil Sands Annual Review

In 2023, the Fund completed its annual review of thermal coal and oil sands companies.

For the thermal coal review, eight companies were added to the watchlist because they were newly identified as meeting our threshold criteria of deriving more than 10 percent of revenues from thermal coal mining, and three companies—Alpha Metallurgical Resources, Inc., Jastrzebska Spolka Weglowa SA, and PT Indonesia Asahan Aluminium (Persero)—were removed from the watch list since these companies no longer met the threshold criteria for thermal coal mining. Based on assessment results, the Fund will continue to restrict investments in 25 coal companies previously restricted and will newly restrict investments in the following six coal companies that have not demonstrated that they are prepared for the transition to a low-carbon economy: Inner Mongolia Dian Tou Energy Corporation Limited, Jizhong Energy Resources Co., Ltd., Pingdingshan Tianan Coal Mining Co., Ltd., Shan Xi Hua Yang Group New Energy Co., Ltd., Shanxi Coal International Energy Group Co., Ltd. and TBEA Co., Ltd.

Of the eight oil sands producers evaluated, five companies failed to demonstrate transition readiness (Athabasca Oil Corporation, Canadian Natural Resources Limited, Cenovus Energy Inc., Imperial Oil and MEG Energy Corp.) resulting in the Fund continuing to restrict investment in those companies. One company on the CRF's restricted list, Husky Energy Inc. was acquired by Cenovus Energy and therefore was not assessed and was removed from the Fund's restricted list.

The Following Tables show the assessment results of thermal coal and oil sands companies.

Thermal Coal Assessment Results

Company Name	Result
Alliance Resources Partners, L.P.	Continued Restriction
Alpha Metallurgical Resources, Inc.,	Removed from Watchlist
Arch Resources, Inc.	Further Engagement
Banpu Public Company Limited	Further Engagement
China Coal Energy Company Limited	Continued Restriction
China Shenhua Energy Company Limited	Continued Restriction
Coal India Limited	Continued Restriction
CONSOL Energy Inc.	Continued Restriction
DMCI Holdings, Inc.	Continued Restriction
Exxaro Resources Limited	Further Engagement
GEO Energy Resources Limited	Continued Restriction
Guanghui Energy Co., Ltd.	Continued Restriction
Huadian Power International Corporation Limited	Continued Restriction
Inner Mongolia Dian Tou Energy Corporation Limited	New Restriction
Inner Mongolia Yitai Coal Co., Ltd.	Continued Restriction
Jardine Cycle & Carriage Limited	Further Engagement
Jastrzebska Spolka Weglowa SA	Removed from Watchlist
Jizhong Energy Resources Co., Ltd.	New Restriction
New Hope Corporation Limited	Continued Restriction
Peabody Energy Corporation	Continued Restriction
Pingdingshan Tianan Coal Mining Co., Ltd.	New Restriction
PT ABM Investama Tbk	Continued Restriction
PT Adaro Energy Indonesia Tbk	Continued Restriction
PT Astra International Tbk	Further Engagement
PT Bukit Asam Tbk	Continued Restriction
PT Delta Dunia Makmur Tbk	Continued Restriction
PT Indika Energy Tbk	Further Engagement
PT Indo Tambangraya Megah Tbk	Continued restriction
PT Indonesia Asahan Aluminium (Persero)	Removed from Watchlist
PT United Tractors Tbk	Further Engagement
Semirara Mining and Power Corporation	Continued Restriction

Thermal Coal Assessment Results Continued

Shaanxi Coal Industry Company Limited	Continued Restriction
Shan Xi Hua Yang Group New Energy Co., Ltd.	New Restriction
Shanxi Coal International Energy Group Co., Ltd.	New Restriction
Shanxi Coking Coal Energy Group Co., Ltd.	Continued Restriction
Shanxi Lu'An Environmental Energy Development Co., Ltd.	Continued Restriction
TBEA Co., Ltd.	New Restriction
The Tata Power Company Limited	Further Engagement
Thungela Resources Ltd.	Continued Restriction
Washington H. Soul Pattinson and Company Limited	Continued Restriction
Whitehaven Coal Limited	Continued Restriction
Yankuang Energy Group Company Limited	Continued Restriction

Oil Sands Assessment Results

Company Name	Result
Athabasca Oil Corporation	Continued Restriction
Canadian Natural Resources Limited	Continued Restriction
Cenovus Energy Inc.	Continued Restriction
Husky Energy Inc	Removed from Watchlist
Imperial Oil	Continued Restriction
MEG Energy Corp.	Continued Restriction
Japan Petroleum Exploration Co., Ltd.	Further Engagement
Suncor Energy Inc.	Further Engagement
Teck Resources Ltd.	Further Engagement

Shale Oil and Gas Annual Review

In 2023, the Fund also completed its annual review of shale oil and gas companies.

For the shale oil and gas review, six companies were added to the watchlist because they were newly identified as meeting our threshold criteria of deriving more than 10 percent of revenues from the crude oil and gas production from shale, and four companies – Apache Corporation, Centennial Resources Development, Inc., Continental Resources, Inc. and Oasis Petroleum, Inc.— were removed from the watch list since these companies did not meet our threshold criteria for shale oil and gas. Based on the assessment results, the Fund will continue to restrict investments in ten shale oil and gas companies previously restricted and will newly restrict investments in the following four shale oil and gas companies that have not demonstrated they are transition-ready: Chord Energy Corporation, Paramount Resources Ltd., Permian Resources Corporation and Vital Energy, formerly known as Laredo Petroleum, Inc.

Shale Oil and Gas Assessment Results

Company Name	Result
Antero Resources Corporation	Further Engagement
APA Corporation	Continued Restriction
Apache Corporation	Removed from Watchlist
Arc Resources Ltd.	Further Engagement
Baytex Energy Corp.	Continued Restriction
Birchcliff Energy Ltd.	Continued Restriction
Callon Petroleum Company	Continued Restriction
Centennial Resources Development, Inc.,	Removed from Watchlist
Chesapeake Energy Corporation	Further Engagement
Chord Energy Corporation	New Restriction
Civitas Resources, Inc.	Further Engagement
CNX Resources Corporation	Further Engagement
Comstock Resources, Inc.	Continued Restriction
ConocoPhillips	Further Engagement
Continental Resources,Inc.	Removed from Watchlist
Coterra Energy Inc.	Further Engagement
Crescent Point Energy Corp.	Continued Restriction
Crew Energy Inc.	Continued Restriction
Devon Energy Corporation	Further Engagement
Diamondback Energy, Inc.	Further Engagement
Enerplus Corporation	Further Engagement
EOG Resources, Inc.	Further Engagement
EQT Corporation	Further Engagement
Hess Corporation	Further Engagement
Magnolia Oil & Gas Corporation	Continued Restriction
Marathon Oil Corporation	Further Engagement
Matador Resources Company	Continued Restriction
Murphy Oil Corporation	Further Engagement
National Fuel Gas Company	Further Engagement
Oasis Petroleum, Inc	Removed from Watchlist
Ovintiv Inc.	Further Engagement
Paramount Resources Ltd.	New Restriction
Permian Resources Corporation	New Restriction
Peyto Exploration & Development Corp.	Further Engagement
Pioneer Natural Resources Company	Further Engagement
Range Resources Corporation	Further Engagement
Sm Energy Company	Continued Restriction
Southwestern Energy Company	Further Engagement
Tourmaline Oil Corp.	Further Engagement
Vital Energy, Inc.	New Restriction

Integrated Oil and Gas Review

In February 2024, the Fund completed its first review of integrated oil and gas companies' transition readiness. The review process started in 2022 with the establishment of a transition assessment framework and minimum standards for companies identified as integrated oil and gas companies by MSCI's Global Industry Classification Systems. This sub-industry was chosen because of the significant transition risk these businesses face as a result of regulatory, technological and financial challenges.

The following table shows the key performance indicators (KPIs) identified to evaluate integrated oil and gas companies' transition readiness.

Integrated Oil and Gas Transition Assessment KPIs

Category	Key Performance Indicators
Transition Strategies	Business transition strategies such as plans to reduce overall fossil fuel businesses, realize resilient fossil fuel businesses, and realize low carbon/green opportunities
Capital Expenditures (CAPEX)	Company's capital spending provides evidence supporting transition strategies, reflecting commitment to reducing investments fossil fuel businesses, increasing investments in low carbon/green opportunities and resilient fossil fuel businesses
Emission Targets	Corporate targets to reduce GHG emissions from the entire value chain (scope 1, 2, 3) in line with the Paris goals
Low Carbon/Green Business	Percentage of revenue and target to increase revenue from low carbon/green business such as renewable energy and energy efficiency
Disclosure	Corporate disclosure in line with TCFD focusing on four key categories, scenario analysis, use of price on carbon and commodity impairment price assumptions in line with the Paris goals. Evaluation looks at decision-useful information.

The Fund identified 26 integrated oil and gas companies for its watch list and wrote to each company requesting a response demonstrating transition readiness. Fourteen companies responded to the Fund's letters. These responses were analyzed and in some cases follow-up meetings were conducted to delve deeper into companies' strategies and data. The Fund conducted a transition assessment of all 26 companies, collecting relevant information and utilizing company disclosure documents, third-party research providers' data, external consultants' research and external managers' sector analysts' insights to evaluate whether and how each company is ready to transition to a low-carbon economy. Multiple factors were considered in evaluating each company, including but not limited to its low-carbon transition planning processes, execution, level of disclosures and goals.

The Fund's analysis concluded that eight companies failed to meet the Fund's minimum standards for transition readiness. As a result, the Fund will divest in a prudent time and manner from its corporate bonds and actively managed public equity holdings in these eight integrated oil and gas companies that it has determined are not transition-ready.

Integrated Oil and Gas Assessment Results

Company Name	Result
BP P.L.C.	Further Engagement
Chevron Corporation	Further Engagement
China Petroleum & Chemical Corporation	Further Engagement
Dana Gas Co.	New Restriction
Delek Group LTD.	New Restriction
Echo Energy PLC	New Restriction
Ecopetrol S.A.	Further Engagement
Eni S.P.A.	Further Engagement
Equinor ASA	Further Engagement
Exxon Mobil Corporation	New Restriction
Galp Energia, SGPS, S.A.	Further Engagement
Guanghu Energy Co.,Ltd	New Restriction
IOG PLC	New Restriction
Mol Magyar Olaj-Es Gazipari Nyilvanosan Mukodo Reszvenytarsag	Further Engagement
Occidental Petroleum Corporation	Further Engagement
Oil and Natural Gas Corporation Limited	New Restriction
OMV Aktiengesellschaft	Further Engagement
Petrochina Company Limited	Further Engagement
Petroleo Brasileiro S.A. (Petrobras)	Further Engagement
PTT Public Company Limited	Further Engagement
Repsol S.A.	Further Engagement
Saudi Arabian Oil Company	Further Engagement
Shell PLC	Further Engagement
Totalenergies SE	Further Engagement
Unit Corporation	New Restriction
YPF Sociedad Anonima	Further Engagement

Engagement and Advocacy

Corporate Engagement

Engagement remains a critical component of the Fund's climate risk and opportunity analyses and includes both direct discussions with company management and filing of shareholder proposals. The Fund engages directly with high-risk companies. The Fund also collaborates with other investors through initiatives such as Climate Action 100+, the Ceres Investor Network on Climate Risk, the Ceres Food 50, FAIRR and the CDP Non-Disclosure Campaign, which engages with companies that do not respond to investor requests for disclosure to CDP. The Fund's direct engagements consist of letter writing and meetings with management and board directors. The Fund also files shareholder resolutions to encourage changes in companies' strategies to address climate-related investment risks. In 2023, the Fund staff engaged with over 50 high-risk companies, urging them to develop credible net-zero transition plans and set net-zero GHG reduction targets.

2023 Shareholder Proposals

Since 2008, the Fund has filed over 175 climate change-related shareholder resolutions, reaching more than 90 agreements with portfolio companies on climate issues such as setting net-zero GHG emissions reduction targets, committing to renewable energy and energy efficiency goals, and providing enhanced climate disclosures in line with TCFD.

In 2023, the Fund reached agreements with six portfolio companies where it filed climate-related shareholder proposals. The Fund filed shareholder proposal on GHG reduction targets at Carrier Global Corp, Century Aluminum Company, Papa John's International and Spirit Realty Capital Inc. These companies were selected based on their relatively high carbon emissions and all agreed to the Fund's request that they evaluate and set targets for lowering greenhouse gas emissions and regularly report on their progress toward meeting their goals. Kraft Heinz Co. also agreed to establish deforestation-free sourcing policies in response to a shareholder proposal the Fund co-filed with Green Century Capital Management Inc.

Direct and Collaborative Engagements

The Fund continues to expand its engagements with portfolio companies across high-impact climate sectors, focusing on those engaged in the following industries: oil and gas production, coal mining, electric and natural gas utilities, automobile manufacturing, banking, food, materials and real estate industries. The Fund urges these companies to establish credible net-zero transition plans, develop strategic CAPEX planning and adopt GHG reduction targets and TCFD reporting.

In furtherance of the Fund's strategic goals, the Fund joins specific working groups and initiatives with other investors when, for strategic and efficiency reasons, it advances the Fund's engagement priorities.

For example, the Fund actively participates in engagements with Duke Energy, American Electric Power, Ford Motor Company, and Exxon Mobil Corporation through Climate Action100+. These engagements include discussion of decarbonization of gas utilities, scope 3 disclosure and targets, climate lobbying, capital allocation alignment and just transition, among other issues.

In 2023, the Fund expanded its engagements with the companies in the food and steel sectors, which are high emitting sectors. Through Ceres' Food Emissions 50 (FE50), which engages 50 of the highest-emitting public food companies in North America on setting ambitious GHG emission reduction targets, the Fund had productive dialogues with Hormel Foods Corp. and Kroger Co. As a result of the engagements, in 2023, Hormel had its GHG reduction targets that are in line with a 1.5-degree pathway validated by the Science Based Targets Initiative.

Also, the Fund joined Ceres Clean Steel working group in 2023, aiming to engage with the top five US steelmakers and one key aluminum producer to encourage these companies to adopt science-based GHG reduction targets in line with a 1.5-degree pathway and climate transition action plans. The Fund participated in and led engagement dialogues with Alcoa Corporation, Cleveland-Cliffs and U.S. Steel.

CDP Climate Disclosures and Other Climate Reporting

It is important for the Fund to obtain standardized climate data in order to evaluate risks with even greater precision and comparability. CDP provides a standardized and comparable dataset that provides insights into corporate climate performance and now covers more than 18,000 companies. The Fund believes that there is great value in bringing together information on this issue across sectors and regions, using this consistent approach, which informs the Fund's investment and proxy voting analyses and engagements. Therefore, the Fund engages with companies to urge their disclosure to CDP of climate data and other key environmental metrics to CDP.

In 2023, the Fund again participated in CDP's effort to engage with over 1,500 companies worldwide to disclose environmental information through CDP's standardized, TCFD-aligned platform. As part of this initiative,1,134 companies were asked to disclose information on climate change, 414 on forests and 463 on water security. Of the 1,590 companies engaged, 317 companies, including National Fuel Gas Co and Martin Marietta Materials, Inc., disclosed the requested information to CDP.

Physical Risks

While it is urgent for the companies to reduce GHG emissions, the world is falling short of the Paris goals and climate impacts, such as extreme weather events, are causing business disruptions at an accelerating pace. Companies need to prepare to manage the physical risks arising from climate change that are already present and growing. In particular, the risks associated with supply chain disruptions in the semiconductor industry from extreme weather events have been recorded over recent years. It is estimated that 75 percent of the world's semiconductor manufacturing capacity is concentrated in East Asia and China, with Taiwan and South Korea producing the majority of the world's semiconductors. The concerns regarding the region's exposure to physical risks and the impacts effects on supply chains around the world including the semiconductor companies in the US are growing. Recent examples include: Taiwan's drought in 2021 resulting in interrupting operations at Taiwan Semiconductor Manufacturing Company, a world leader in manufacturing advanced semiconductors for companies like Intel and Qualcomm; the record-breaking heatwave in 2022 causing droughts in the Southwestern province in China and reducing hydropower generation, which forced microchip factories to close; and flooding and hurricanes resulting in disruptions to the semiconductor supply chain in Malaysia in 2021.

The Fund, together with other investors, wrote to six semiconductor companies regarding physical risks and had engagement meetings with three of those companies in 2023. The discussions covered water management, scenario analysis, business continuity plans related to grid stability in case of flooding and other extreme weather events, supply chain management and strategic capital allocation planning. The companies were encouraged to enhance disclosure of how they will assess and address physical risks going forward.

Proxy Voting

The Fund believes that the election of directors is a fundamental shareholder right, providing the most direct means for shareholders to hold directors accountable for their actions and decisions. The Fund generally withholds support from audit committee members or directors responsible for climate risk oversight when there is failure of the company to disclose, appropriately manage and comprehensively report climate risks. The Fund's proxy guidelines incorporate criteria used to evaluate a company's climate performance, including climate transition targets, strategies, capital expenditure alignment and TCFD disclosure. The Fund reviews a variety of data sources, such as company filings, CDP reporting and the Climate Action 100+ net-zero benchmarking assessment, to inform the Fund's director votes. In 2023, the Fund withheld support from or voted against over 370 individual directors at over 45 portfolio companies that lacked robust climate risk management, including Berkshire Hathaway, ExxonMobil and Kinder Morgan.

In February 2024, the Fund amended its proxy voting guidelines to include updates on the Fund's expectations regarding portfolio companies' climate transition plans, including comprehensive disclosure of plans, risks, risk management, governance, targets, metrics and opportunities. In addition, more clarity is provided regarding physical risk, deforestation and the potential impacts of biodiversity loss.[3]

The Fund will continue to use its voice and vote to encourage and support robust climate risk management, strategic planning, and reporting by portfolio companies in order to achieve a successful transition to the low-carbon economy, which is integral to long-term value creation for shareholders.

Manager Engagement

The Fund staff regularly engages with its asset managers and index providers to identify how these partnerships can help the Fund enhance its climate risk management and achieve net zero. Engagements have shown that some of the Fund's global equity managers are building capacity in assessing climate risks and measuring net-zero progress, which may be applied to the Fund's own efforts to assess and address climate risks across its portfolio. The Fund will continue to engage with these managers on shareholder engagement, proxy voting, climate data and modeling. These managers have a critical role to play in supporting both the Fund's and portfolio companies' climate risk management.

State Comptroller DiNapoli speaking at the Twentieth Annual Symposium on Energy in the 21st Century.

3 https://www.osc.ny.gov/files/common-retirement-fund/corporate-governance/pdf/proxy-voting-guidelines-2024.pdf

Public Policy and Market Leadership

Exerting leadership with respect to pertinent public policy issues, including policies governing the financial markets, is an on-going component of the Fund's strategy. The Fund supports policies and practices that promote the overall stability, transparency and functionality of financial markets and the economy. The Fund's public policy engagement takes many forms, including meetings and correspondence with elected representatives, regulators and other public officials, testimony at hearings and forums, comments on regulatory and legislative proposals, and participation in state, national, and international forums and initiatives. The Fund's primary public policy advocacy priorities have included enhanced climate disclosures, improved regulation of GHG emissions and increased financial incentives for climate solutions.

In March 2024, the Securities and Exchange Commission (SEC) adopted the Climate Disclosure Rule that requires corporations to report climate risk information. The Fund has called on the SEC for nearly 15 years to mandate the disclosure of climate information to protect investors and the broader marketplace.

In addition, in 2023, the Fund submitted comments to the U.S. Environmental Protection Agency on Methane Emissions Regulations for the Oil and Gas Industry, GHG Emissions Regulations for fossil fuel fired power plants, and multi-pollutant emissions and GHG emissions regulations for vehicles.[4] In March 2024, the EPA finalized the vehicles emissions rule, and in April 2024, the EPA finalized the rule to limit GHG emissions from fossil fuel power plants.

Moving forward, the Fund will continue to work on key legislative and regulatory issues including corporate climate disclosures, emissions standards, meaningful carbon pricing, clean energy infrastructure funding and tax incentives that drive climate solution investments.

4 2023 Comments on Methane Regulations for the Oil and Gas industry
https://www.regulations.gov/comment/EPA-HQ-OAR-2021-0317-2185

2023 Comments on GHG Emissions Regulations for Fossil Fuel fired Power Plants
https://www.regulations.gov/comment/EPA-HQ-OAR-2023-0072-0808

2023 Comments on multi-pollutant emissions and GHG emissions Regulations for vehicles
https://www.regulations.gov/comment/EPA-HQ-OAR-2022-0829-0791

Contact

Office of the New York State Comptroller
110 State Street
Albany, New York 12236

(518) 474-4040

www.osc.ny.gov

Prepared by the New York State Common Retirement Fund, Bureau of Corporate Governance