

The 2022 Canadian Pension Climate Report Card analyzes, assesses and ranks the progress made by Canada’s largest pension managers and four international pension managers in their approach to climate risk and investment decisions as they relate to the climate crisis. The international funds examined are AP2 (Sweden), National Employment Savings Trust (Nest) (United Kingdom), NGS Super (Australia) and New York State Common Retirement Fund (NYSCRF) (United States). View the full report at [shiftdaction.ca/reportcard2022](https://shiftdaction.ca/reportcard2022).



## NEW YORK STATE COMMON RETIREMENT FUND (NYSCRF)

NYSCRF is the pension fund for more than one million New York State and local government employees and retirees.

**Assets Under Management (AUM):** US\$272.1 billion (March 31, 2022)

	OVERALL SCORE	Paris-Aligned Target	Interim Targets	Climate Urgency	Climate Engagement	Climate Integration	Fossil Fuel Exclusions
NYSCRF	<b>B</b>	<b>B-</b>	<b>C</b>	<b>B</b>	<b>A</b>	<b>B-</b>	<b>C+</b>

### OVERALL CLIMATE SCORE **B**

NYSCRF is committed to net-zero financed emissions by 2040. The fund is notable for the public approach it has taken to putting forward climate-related shareholder resolutions, evaluating fossil fuel investments for their transition readiness, and listing fossil fuel companies from which it is divesting for their lack of transition readiness. NYSCRF has strong proxy voting guidelines and climate engagement but needs to strengthen its interim targets and internal climate risk metrics, including beginning to measure and report on scope 3 emissions.

### SCORING DETAILS

Paris-Aligned Target	<b>B-</b>
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NYSCRF is committed to net-zero financed emissions by 2040 and is a member of the Paris Aligned Investment Initiative (PAII). While NYSCRF’s PAII commitment will require it to fill in some of the missing details, to date the pension manager’s interim targets are incomplete, as is its plan to achieve net-zero while also reducing real world emissions. Additionally, the fund has not articulated what role, if any, carbon offsets might play in achieving its target.

Interim Targets	<b>C</b>
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NYSCRF has committed to 50% alignment with a 1.5°C scenario by 2030. The metric for assessing alignment is the percentage of public equity and corporate bonds determined to be aligned with 1.5°C. The fund has also set a target to engage “50% of the Fund’s publicly traded assets in high-impact sectors on net-zero by 2040” and has set a target for investment in climate solutions.<sup>1</sup> It is unclear how the fund is accounting for scope 3 emissions or why it is using only public equity and corporate bonds to determine its alignment with 1.5°C.

Climate Urgency

B

NYSCRF acknowledges the climate crisis is urgent, that it poses risks to its portfolio, that investors including NYSCRF have a role to play in addressing the climate crisis, and that how NYSCRF invests affects the climate crisis.

**Sample language, from NYSCRF’s 2022 Progress Report, p.6:**

“The Special Report on Global Warming of 1.5°C, issued in 2018 by the Intergovernmental Panel on Climate Change, found that if the world reaches net-zero emissions by 2040, the chance of limiting warming to 1.5 degrees by 2100 is considerably higher than if net zero is not achieved until 2050. As world governments begin taking serious action on climate change, it is becoming increasingly clear that net-zero alignment for the Fund is necessary to mitigate investment risk.”

Climate Engagement

A

NYSCRF publicly calls on companies and shareholders to address climate change, signals its expectations to portfolio companies via its own net-zero emissions by 2040 target, has strong proxy voting guidelines, files climate-related shareholder resolutions, communicates key proxy votes loudly and publicly, and evaluates external managers on climate-related KPI’s.

NYSCRF has undertaken a series of reviews of fossil fuel investments to determine “if they are prepared for the transition to a low-carbon economy”; as of August 2022 these reviews had resulted in NYSCRF publicly divesting from 55 shale oil and gas, oil sands and coal companies.<sup>2</sup>

**Expectations for owned companies**

In undertaking reviews of fossil fuel investments, NYSCRF established “Transition Assessment KPIs” against which the companies would be evaluated. For shale oil and gas, for example, KPIs included (*2022 Progress Report on Climate Action Plan*, p.11):

- “Strategies to transition business models towards a trajectory consistent with the goals of the Paris Agreement”
- “Capital spending supports transition strategies consistent with the goals of the Paris Agreement”, and
- “Targets to reduce GHG emissions from the entire value chain (scope 1, 2, and 3) in line with the Paris goals.”

NYSCRF’s 2019 Climate Action Plan states that companies with poor climate transition performance would be placed on a watch list for engagement, with potential escalatory actions of underweighting, restricting new investments, or divestment.

**Proxy voting**

NYSCRF’s *Proxy Voting Guidelines* spell out detailed expectations for board oversight of climate risks for companies operating in sectors categorized as high-impact by the Task Force on Climate-Related Financial Disclosures (TCFD), including naming specific committees and directors responsible for climate risks, detailing skills and expertise of director nominees, building board climate competence, and board engagement on climate issues. The fund withholds support from individual directors or the entire board if these issues are not managed (p.14).

The *Guidelines* list the factors NYSCRF will use to evaluate a company's climate performance. These include governance (including "directors' skills and expertise to manage climate risks"), public policy advocacy, linking of executive compensation to climate targets, Paris-aligned strategies (including capital expenditures), TCFD disclosure, and responsiveness to shareholder engagement (p.26). NYSCRF may withhold support from directors, committee members, the board chair, or the entire board for climate performance failures including a lack of climate competency on the board, support of public policies "that adversely affect the net-zero transition", failure to demonstrate Paris-aligned transition strategies, and "refus[ing] to engage constructively with shareholders on climate risks and opportunities" (p.27).

The *Guidelines* encourage specific, measurable, and comprehensively disclosed ESG metrics to be part of company compensation packages (p.20). NYSCRF also will support proposals for companies to issue "audited reports on the financial impacts of a significant reduction in fossil fuel demand scenario such as a net-zero emissions scenario and the underlying assumptions" (p.27).

In 2021, NYSCRF's *Proxy Voting Guidelines* led to the fund withholding support or voting against 404 directors at 88 companies (2022 *Progress Report on Climate Action Plan*, p.19). Since 2007, NYSCRF has filed over 160 climate-change-related shareholder proposals.<sup>3</sup>

**Collaborative engagement**

NYSCRF is a participant in Climate Action 100+ and leads engagement with American Electric Power (AEP). AEP is failing to meet or only partially meeting the vast majority of criteria in Climate Action 100+'s Net-Zero Company Benchmark, but as an electric utility has a credible pathway to decarbonization.<sup>4</sup>

NYSCRF files climate-related shareholder resolutions and publicizes them,<sup>5</sup> and in at least one case publicly urged other shareholders to back climate resolutions.<sup>6</sup>

**Direction given to external managers**

NYSCRF evaluates existing and prospective external managers using an ESG scorecard. The scorecard contains climate-related KPIs in the categories of governance, assessment, active ownership and stewardship, and TCFD reporting (2022 *Progress Report on Climate Action Plan*, p.7-8). While the fund provided some details of climate topics on which it engaged with external managers in 2021 (p.20), it is unclear what direction NYSCRF is giving its external managers regarding the handling of climate-related risk.

**Climate Integration**



**Accountable Paris-aligned membership**

NYSCRF is a member of the Paris Aligned Investment Initiative (PAII).

**Transparency and disclosure of holdings**

NYSCRF provides detailed disclosure of its investments and valuations. A comprehensive asset listing is published annually. Financial updates are provided quarterly. Changes to external managers are provided monthly.

**Transparency and disclosure of climate risk**

NYSCRF provides good disclosure of its high-carbon exposure through the lists of fossil fuel companies it is reviewing for transition readiness, and lists of companies from which it is divesting.

The fund's discussion of scenario analysis is limited.

The fund has reported scope 1 and 2 emissions for 70% of the portfolio. Scope 3 emissions have not been reported.

The fund has a current climate action plan and provides an annual climate progress report.

**Board climate expertise and/or fossil fuel entanglement**

The State Comptroller and the members of the *Climate Action Plan* implementation team are not identified as having climate expertise.

The State Comptroller is the sole trustee of the fund, which also has five advisory committees and a decarbonization panel. Based on a review of public biographies, none of these members appear to have fossil fuel entanglements.

**Executive and staff compensation and climate**

There is no indication that NYSCRF ties executive or staff compensation to climate targets.

**Fossil Fuel Exclusions**



NYSCRF has restricted investments in specific companies in fossil fuel sectors after undertaking reviews of their transition readiness. As of August 2022, these reviews have resulted in NYSCRF divesting from 55 shale oil and gas, oil sands and coal companies, and undertaking a review of 28 integrated oil and gas companies.<sup>7</sup>

NYSCRF states that “Divestment is utilized only when consistent with our fiduciary duty and where the specific risk posed by a company’s failure to develop any meaningful climate transition plan is extreme” (*2022 Progress Report on Climate Action Plan*, p.9).

**ENDNOTES**

- 1 Office of the New York State Comptroller. (2021, December 9). *NYS Pension Fund Commits \$2 Billion to Climate Transition Index*. [Press release]. [www.osc.state.ny.us/press/releases/2021/12/nys-pension-fund-commits-2-billion-climate-transition-index](http://www.osc.state.ny.us/press/releases/2021/12/nys-pension-fund-commits-2-billion-climate-transition-index).
- 2 Office of the New York State Comptroller. (2022, August 12). *NYS Pension Fund Launches Review of Integrated Oil & Gas Companies*. [Press release]. [www.osc.state.ny.us/press/releases/2022/08/nys-pension-fund-launches-review-integrated-oil-gas-companies](http://www.osc.state.ny.us/press/releases/2022/08/nys-pension-fund-launches-review-integrated-oil-gas-companies).
- 3 Office of the New York State Comptroller. (2022, April 20). *DiNapoli: State Pension Fund Calls on Corporations to Address Environmental and Climate Risks*. [Press release]. [www.osc.state.ny.us/press/releases/2022/04/dinapoli-state-pension-fund-calls-corporations-address-environmental-and-climate-risks](http://www.osc.state.ny.us/press/releases/2022/04/dinapoli-state-pension-fund-calls-corporations-address-environmental-and-climate-risks).
- 4 Climate Action 100+. (2022). *American Electric Power Company Inc*. Webpage. Retrieved November 14, 2022 from [www.climateaction100.org/company/american-electric-power-company-inc/](http://www.climateaction100.org/company/american-electric-power-company-inc/).
- 5 Office of the New York State Comptroller. (2022, April 20). *DiNapoli: State Pension Fund Calls on Corporations to Address Environmental and Climate Risks*. [Press release]. [www.osc.state.ny.us/press/releases/2022/04/dinapoli-state-pension-fund-calls-corporations-address-environmental-and-climate-risks](http://www.osc.state.ny.us/press/releases/2022/04/dinapoli-state-pension-fund-calls-corporations-address-environmental-and-climate-risks).
- 6 Hodgson, C. (2022, April 12). *New York State pension fund urges bank shareholders to back climate resolutions*. Financial Times. [www.ft.com/content/acb01465-4305-4bea-b5a2-499f93707267](http://www.ft.com/content/acb01465-4305-4bea-b5a2-499f93707267).
- 7 Office of the New York State Comptroller. (2022, August 12). *NYS Pension Fund Launches Review of Integrated Oil & Gas Companies*. [Press release]. [www.osc.state.ny.us/press/releases/2022/08/nys-pension-fund-launches-review-integrated-oil-gas-companies](http://www.osc.state.ny.us/press/releases/2022/08/nys-pension-fund-launches-review-integrated-oil-gas-companies).

## REFERENCES

The following publicly available information was reviewed in the preparation of this analysis.

### *Reports*

- [Progress Report on the New York State Common Retirement Fund's Climate Action Plan](#) (July 2022)
- [Progress Report on the New York State Common Retirement Fund's Climate Action Plan](#) (April 2021)

### *Documents*

- [New York State Common Retirement Fund Proxy Voting Guidelines](#) (2022)
- [New York State Common Retirement Fund Asset Listing as of March 31, 2021](#)

### *Webpages and press releases*

- Press release - [DiNapoli: State Pension Fund Posts 9.5% Annual Investment Return](#) (August 1, 2022)
- Press release - [NYS Pension Fund Launches Review of Integrated Oil & Gas Companies](#) (August 12, 2022)
- Press release - [DiNapoli: State Pension Fund Calls on Corporations to Address Environmental and Climate Risks](#) (April 20, 2022)
- Press release - [NYS Pension Fund Commits \\$2 Billion to Climate Transition Index](#) (December 9, 2021)