

News

From the Office of the New York State Comptroller

Thomas P. DiNapoli

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NY State Comptroller DiNapoli Doubles Low Emissions Index Investment to \$4 Billion

State Pension Fund's Proprietary Index Moves Stocks Away From High Carbon Emitters to Cleaner Companies

NY State Pension Fund's Sustainable Investments Reach \$7 Billion

New York State Comptroller Thomas P. DiNapoli today at the Investor Summit on Climate Risk at the United Nations announced a \$2 billion increase to the New York State Common Retirement Fund's (Fund) low emissions equities index, doubling its investment. The Fund was the first public pension fund in the U.S. to create an index that excludes or reduces holdings in the worst carbon emitters and shifts investments to lower emitting corporations. The increased allocation, from the Fund's regular index holdings, raises the current value of the Fund's sustainable investments to more than \$7 billion.

"We've successfully shifted significant holdings to lower carbon companies without losing value," **DiNapoli** said. "Our state pension fund is at the forefront of the worldwide effort to build a lower carbon economy. Our investment decisions and our shareholder engagements are a caution to corporations: if they're not helping build a decarbonized future, they may get left behind. Our strategy for sustainable, lower carbon investing is working and will continue to expand."

"Managing climate risk is key to protecting positive long-term investment returns," said the Fund's **Chief Investment Officer Vicki Fuller**. "The success of our low emissions index ensures its ability to expand further in the years to come and demonstrates to other institutional investors that we can decarbonize our portfolios prudently and without risking value."

"Today's announcement by the New York State Common Retirement Fund is a prudent and responsible step to manage the risks of climate change, and seize the opportunities of the clean energy future," said **Mindy S. Lubber, president and CEO of the sustainability nonprofit organization Ceres**, which directs the [Ceres Investor Network on Climate Risk and Sustainability](#). The Ceres Investor Network includes more than 145 institutional investors who collectively manage over \$22 trillion in assets. "Tackling climate change requires a colossal shift in investment capital flows toward clean energy and away from high polluting fossil fuel energy. This announcement helps achieve this shift, and provides an example of the kind of innovation institutional investors can undertake."

"We applaud Comptroller DiNapoli for doubling the investment to the low emissions index fund," said **Peter M. Iwanowicz, Executive Director of Environmental Advocates of New York**. "Through these investments, the pension fund encourages innovation and moves companies closer to the 100 percent renewable energy economy we need."

The index, which is internally managed by the Fund, was developed with assistance from Goldman Sachs Asset Management (GSAM) and launched in January 2016. It is modeled on the Fund's existing indices of domestic stocks, particularly the Russell 1000, which are passive investments in the largest domestic companies with returns that match broad market performance.

"As we continue to face significant climate and environmental challenges, GSAM is committed to helping the Fund achieve its goal of identifying the risks and investment opportunities climate change presents to its long-term success," said **Hugh Lawson, Global Head of ESG and Impact Investing at GSAM**. "The Fund is a market leader in developing a multi-faceted and rigorous approach in doing this, and low emissions investing along with engagement is an important piece of this work."

The low emission index underweights stock ownership in some of the worst greenhouse gas emitters based on independent emissions data reported to the [CDP](#) (Carbon Disclosure Project) and increases investments in companies with lower carbon emissions with returns that closely track the Russell 1000 index. The carbon footprint of DiNapoli's low emissions index is 75 percent lower than its benchmark.

The low emissions index has performed as expected within close proximity to the Fund's indices posting an audited, annualized investment return of 16.5 percent from its inception on Jan. 1, 2016 to Dec. 31, 2017, compared with the Russell 1000's return of 16.8 percent.

The Fund has been recognized as the top U.S. investor, and third globally, for its efforts to combat climate change by the Asset Owners Disclosure Project. In addition, DiNapoli's international leadership in addressing investment risk arising from climate change resulted in his participation in both COP 21 in Paris and COP 23 in Bonn, where he was invited to present on the Fund's accomplishments.

DiNapoli's Sustainable Investment Program

Since taking office in 2007, DiNapoli has been a global leader in the fight against climate change, addressing material risks and opportunities for the Fund's investments. At his direction, the Fund developed the Sustainable Investment Program. The low emissions index is one of the key pieces of the program's multi-pronged approach to managing investment risk posed by climate change.

Sustainable Investing: DiNapoli's commitments to sustainable investment, currently valued at more than \$7 billion, integrate key environmental, social and governance (ESG) principles into the Fund's investment decisions, including:

- \$4 billion for the low emissions index;
- \$3 billion in sustainable investments across asset classes, including \$400 million with Generation Asset Management; \$300 million with the Rockefeller Asset Management Global Sustainability and Impact Strategy; and \$150 million with the Rise Impact Fund;
- LEED Gold real estate investments, World Bank Green Bonds and private equity investments such as Invenergy, developers of a wind farm in Western New York;
- ESG risk assessments for all new investments; and annual reviews of ESG oversight of existing investments with an annual carbon footprint analysis of the Fund's public equity portfolio (16 percent lower overall emissions profile relative to its benchmark in 2017); and
- Continuing to seek large-scale sustainable investment opportunities around the globe that meet the Fund's risk and return requirements.

Active Ownership: DiNapoli uses the Fund's voice and shareholder voting power to protect investments by calling on companies to address climate change risks they face, to report on and reduce their greenhouse gas (GHG) emissions and to acknowledge their business opportunities and risks in the emerging low carbon economy. Over the last decade, the Fund has:

- Filed more than 120 climate change-related shareholder resolutions and reached 43 agreements with portfolio companies to analyze climate risks, set GHG reduction targets and renewable energy and energy efficiency goals, prevent deforestation, publish sustainability reports and appoint directors with environmental expertise;
- Won broad shareholder support for [ExxonMobil](#), [Duke Energy](#) and others to agree to examine how the worldwide effort to meet the goals of the Paris Agreement will impact their businesses;
- Wrote to more than 300 companies in the low emissions index, calling on them to publicly disclose their emissions data. This engagement spurred shareholder proposals in 2018 calling on companies to adopt targets for reducing their greenhouse gas emissions;
- Persuaded 70 companies to disclose their carbon emissions data over the last two years; and
- Joined forces with investors representing trillions of dollars in engaging corporations to accelerate and expand emissions reductions, enhance risk disclosures and implement sustainable business practices, including PRI, CDP's Carbon Action, the Climate Action 100+ and CERES, where DiNapoli has served on the Board of Directors since 2011.

About the NYS Common Retirement Fund

The New York State Common Retirement Fund is the third largest public pension fund in the United States with estimated assets of \$201.3 billion as of Sept. 30, 2017. The Fund holds and invests the assets of the New York State and Local Retirement System on behalf of more than one million state and local government employees and retirees and their beneficiaries. It has consistently been ranked as one of the best managed and best funded plans in the nation. The Fund's fiscal year ends March 31, 2018.

Albany Phone: (518) 474-4015 Fax: (518) 473-8940

NYC Phone: (212) 383-1388 Fax: (212) 681-7677

Internet: www.osc.state.ny.us

E-Mail: press@osc.state.ny.us