



NYS Comptroller
THOMAS P. DiNAPOLI
Office of the New York State Comptroller

ECO News

Spring 2016

A MESSAGE FROM THE COMPTROLLER

Since taking office in 2007, I have made the environment one of my office's top priorities. I've enacted green agency operations at my own office while helping other State agencies become more environmentally friendly.

Through the New York State Common Retirement Fund, the third largest public pension plan in the United States, I have increased investments in environmentally friendly companies and funds while encouraging others to become better environmental stewards.

In December, I had the pleasure of attending the United Nations Climate Change Conference in Paris (see picture). There, I announced the creation of a \$2 billion index that will exclude or reduce investments in companies that are



large contributors to carbon emissions like the coal mining industry, and increase the Fund's investments in companies that are lower emitters. This investment strategy will raise the pension fund's commitment to sustainable investments to \$5 billion.

Low-carbon, sustainable investments are key to our future and our pension fund has long supported climate aware strategies. It's an approach to low-carbon investment that we can expand and help spur the kind of innovation and ideas that will assist in the transition to a low-carbon economy.

Please take a few moments to look through our environmental newsletter and get caught up on this and other important environmental news coming from the Office of the State Comptroller.

DiNAPOLI REACHES CORPORATE AGREEMENTS ON CLIMATE CHANGE

At the 2015 United Nations Climate Change Conference in Paris, negotiations from the world's top leaders culminated in the historic Paris Agreement, calling for a significant reduction in carbon emissions and demand for fossil fuels worldwide. This global commitment validated DiNapoli's long-held concern that public policies on carbon emissions pose significant risks and opportunities for the financial future of companies that contribute to climate change.

Comptroller DiNapoli has taken a leading investor role in seeking better corporate practices on climate change to safeguard the Fund's investments and to promote a more environmentally sound, low-carbon economy.

In 2016:

- Seven major energy companies in the Fund's portfolio were asked to explain how they could adapt their business models to increase the generation of low-carbon electricity. Two have agreed while discussions are ongoing with the others.

- Best Buy and Nordstrom agreed to set company-wide targets for increasing their use of renewable energy. The U.S. Environmental Protection Agency lists 78 Fortune 500 companies as purchasers of renewable energy. Johnson & Johnson, Procter & Gamble, Starbucks, Wal-Mart and Goldman Sachs are members of a coalition called RE100 that is encouraging companies to transition to 100% renewable energy.
- Resolutions were filed with Devon Energy Corporation and ExxonMobil Corporation asking the companies to assess the impacts on their products and reserves of government climate policies designed to keep warming below 2 degrees Celsius.
- Two major global contractors, an aerospace and defense firm and an engineering and construction company, were asked to adopt time-bound, quantitative goals for reducing their greenhouse gas emissions.

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VICKI FULLER, CHIEF INVESTMENT OFFICER, NEW YORK STATE COMMON RETIREMENT FUND



Q: Tell us about your guiding principles as the Chief Investment Officer?

A: My responsibility is to invest about \$180 billion on behalf of our beneficiaries, workers and retirees.

I think of my goal as making sure that they don't have to worry about their days in retirement.

We do that by investing across a number of sectors, including equities, fixed income, private equity and real estate, with the goal of taking appropriate risk where we're being rewarded for taking it.

Q: How does climate change factor into your investment decisions?

A: We spend a lot of time thinking in general about all of the ESG* factors and in fact, as part of our overarching investment philosophy, we view ESG factors as a source of risk and a source of return.

Focusing on environmental specifically, we embarked on a project over the last year to really seek to understand our carbon footprint.

We looked at the companies that we were investing in and the risk to the sustainability of the returns that we are charged with providing. That was an all-hands-on-deck project, involving a number of internal and external resources. It's interesting that at a time when people were preparing for Paris we, coincidentally, were also in the throes of doing the analysis.

Q: What has happened since the agreement in Paris?

A: Post Paris there's a lot more focus on it. I like to say, under the leadership of the Comptroller, we have been thinking about it a long time. And while I wouldn't say that we've totally solved the puzzle yet, we have done the

analysis and taken some initial steps toward counteracting, so to speak, environmental risk in the portfolio.

Q: What specifically is the pension fund doing now to capitalize on a low-carbon economy?

A: We continue to engage our portfolio companies on first measuring their carbon footprint or the harm that they may be doing to the environment as well as reporting on it.

We constructed a specific index that sought to reduce our exposure to high-carbon emitters and add to companies that were low emitters. That was an important first step.

Q: What are the challenges to this type of investing and what can people expect in the months ahead?

A: A very important part of our engagement is to advocate for reporting the data so that we are better informed about the carbon footprint. Then companies and we have better information to make positive changes.

We announced an addition to our sustainable investment program of about \$1.5 billion and right now we're in the process of codifying what the investment principles will be and talking to potential investors.

Q: Anything you'd like to add?

A: It's interesting – I have to applaud our staff – we really do spend a lot of time in our investment process asking the companies that we would invest in or with, "What is your perspective on ESG?"

It's not a check-the-box answer we're looking for... and companies have told us that because of the important questions we asked, they are actually creating an ESG policy and thinking more wholeheartedly about the impact that ESG factors, particularly environmental, can have on their investment success. Through our efforts under the leadership of Comptroller DiNapoli, we are an advocate for creating the change that we would like to see in the future.

** ESG stands for Environmental, Social and Governance. ESG has become shorthand for investment methodologies that embrace ESG.*



Comptroller Thomas P. DiNapoli was honored by the New York State Bar Association with its 2016 Environmental Law Section award. The award recognized DiNapoli and his office's work in implementing sustainable investment strategies that address climate change and environmental protection. DiNapoli received the award during the Bar Association's Annual Meeting in New York City on January 29. Founded in 1876, the New York State Bar Association, with 74,000 members, is the largest voluntary state bar association in the country.

THE CELEBRATED CAREER OF PETE GRANNIS BEGAN WITH EARTH DAY

Pete Grannis, Comptroller DiNapoli's First Deputy Comptroller, has been a longtime advocate of environmental causes, beginning as one of the 20 original signatories of the Earth Day proclamation housed at the United Nations. An avid outdoorsman who lived on the west side of Manhattan overlooking the Hudson River after graduating from law school, Pete remembers paddling a canoe down the Delaware River and seeing huge streams of garbage flowing from people's backyards down to the water. Before 1970, there was little to no public policy on water pollution.

In the fall of 1969, after meeting peace activist John McConnell and Denis Hayes, the national organizer of the first Earth Day, Pete helped to create the Environmental Action Coalition, which was the official coordinator



First Deputy Comptroller, Pete Grannis, 1970

of the inaugural Earth Day celebration in NYC, the biggest in the country. He helped lead the organization in raising money, networking with other local organizations, and persuading then New York City Mayor Lindsay to close Fifth Avenue and Union Square Park where the daylong event took place with hundreds of thousands of participants.

On that very same day, Governor Nelson Rockefeller announced the establishment of the New York State Department of Environmental Conservation (DEC) where Pete served as Compliance Counsel. In 2007, he returned to DEC as the agency's commissioner, following a successful 30 year political career in the State Assembly. This office is proud to have such a dedicated public servant who continues to fight for a brighter, greener future for New York.

DI NAPOLI SCORES VICTORY ON SEC RULING IN DISPUTE WITH EXXONMOBIL

Comptroller Thomas P. DiNapoli, as Trustee of the New York State Common Retirement Fund, and the Church of England co-filed a shareholder proposal, asking ExxonMobil to assess how the worldwide effort to rein in global warming would impact its business. In response, the company sought clearance from the Securities and Exchange Commission (SEC) to block DiNapoli's proposal. After reviewing the matter, the SEC confirmed DiNapoli's assertion that the company has not fulfilled its duty to disclose the potential risks of climate change.

The shareholder proposal calls for ExxonMobil to prepare and publish a report that analyzes how its future earnings will be impacted by the global effort to reduce emissions in the wake of the Paris Agreement. ExxonMobil has contested that it is unlikely global governments will actually impose restrictions required for a low-carbon scenario; and that its abundant oil and gas reserves will match global demand in the long-term. The SEC did not find this argument persuasive and denied ExxonMobil's request to exclude the proposal.

DI NAPOLI REACHES CORPORATE AGREEMENTS ON CLIMATE CHANGE *Continued from cover*

In 2015:

- Shareholder resolutions were filed with seven portfolio companies, asking what they could do to meet President Obama's goal of reducing carbon emissions by 80 percent by 2050. Five reached agreements with DiNapoli: Alliant Energy, Denbury Resources, Martin Marietta Materials, Vulcan Materials and Wisconsin Energy.
- The Comptroller and the New York City Comptroller called on the SEC to compel fossil fuel industry companies—by

enforcement or other action—to enhance disclosure of the material risks climate change poses to their business. Some agreed to disclose findings, but a few, most notably ExxonMobil, have not.

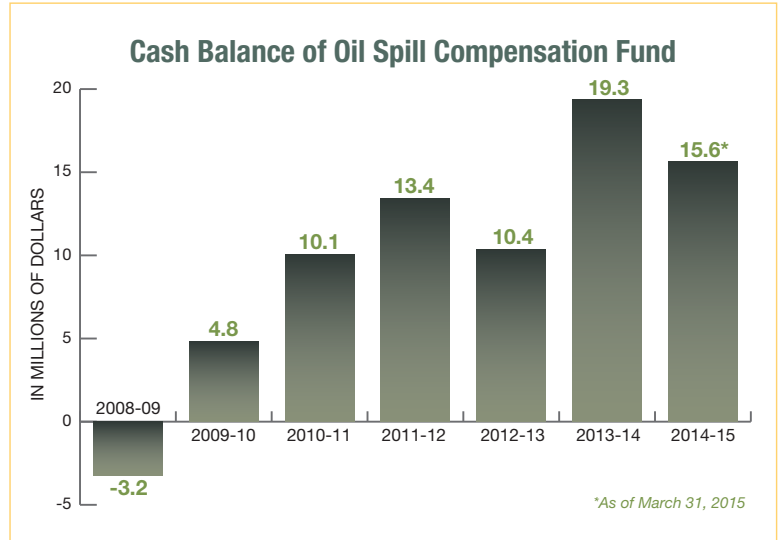
- An agreement was reached with agricultural giant Archer Daniels Midland to commit to a "No-Deforestation" policy, vowing to use soy and palm oil that have no links to deforestation, a leading cause of climate change. Rainforests are vital to the reduction of greenhouse gases.

NEW YORK ENVIRONMENTAL PROTECTION AND SPILL COMPENSATION FUND

The Oil Spill Fund was established in 1978 to:

- protect the environment and public health by ensuring the quick cleanup of petroleum spills;
- compensate spill victims for their financial losses when the spiller will not; and
- seek reimbursement from spillers for oil spill cleanup costs.

The Fund's balance increased \$18.9 million (584%) between State Fiscal Year 2008-09 and 2014-15. It's financed primarily by fees paid by industry on all barrels of petroleum imported into the State, as well as amounts collected from spillers in cost recovery. Thomas P. DiNapoli, the State's chief fiscal officer, administers the Oil Spill Fund.



Earlier this year, the Oil Spill Fund struck a deal with Dutchess County and the Town of Hyde Park to convert an abandoned gas station on Route 9G in Hyde Park to an open green space for community use.

The Oil Spill Fund has paid \$500,000 for cleanup and petroleum remediation efforts at the gas station and neighboring properties dating back to 1978.

Dutchess County foreclosed on the property for unpaid taxes and transferred ownership to the Town of Hyde Park, which has agreed to demolish the building and landscape the



Photo Courtesy of Town of Hyde Park

site. Once the structure is removed, the New York State Department of Environmental Conservation will assess whether any additional cleanup is needed. The Oil Spill Fund will then pay for the completion of any further cleanup.

“This is an important collaboration with Dutchess County and the Town of Hyde Park to convert a neglected and abandoned property,” said DiNapoli. “This effort will ensure that the once polluted land will be a safe place for residents to enjoy.”



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