

2023 Corporate Governance Stewardship Report

NEW YORK STATE COMMON
RETIREMENT FUND



Office of the New York
STATE COMPTROLLER
Thomas P. DiNapoli


FEBRUARY 2024

February 2024

Our Corporate Governance Program works to help protect the New York State Common Retirement Fund's long-term value by exercising prudent stewardship of our portfolio by engaging with the public companies we invest in on key environmental, social, and governance issues that have a financial impact. Companies that take steps to be responsible corporate citizens help their bottom line and are more likely to be profitable, sustainable investments for our pension fund. Simply put, the State Pension Fund does well, by doing good.

During 2023, our focus included encouraging companies to address climate change risks and capitalize on opportunities that will arise in the transition to the low-carbon economy. We urged companies to build stronger workforces by honoring fundamental human rights and embracing diversity, equity and inclusion. And we advocated for good governance and accountability on issues like executive compensation and the composition of corporate boards.

I hope this 2023 Corporate Governance Stewardship Report helps provide an understanding of our agenda, initiatives and achievements.



Thomas P. DiNapoli
State Comptroller

THE NEW YORK STATE COMMON RETIREMENT FUND IS ONE OF THE LARGEST PUBLIC PENSION FUNDS IN THE UNITED STATES.

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.

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Overview

STEWARDSHIP noun

stew·ard·ship stü-erd- ship; 'styü-; 'st(y)urd-

Sometimes referred to as “active ownership,” stewardship includes the principles, policies, and procedures by which institutional investors like the New York State Common Retirement Fund (Fund) work to encourage responsible, effective governance of their portfolio companies.

The Fund’s Corporate Governance Program actively engages with its portfolio companies to foster the development of robust governance practices while encouraging prudent management of environmental and social factors. All the actions taken by the Fund described within this report can contribute to the long-term success and sustainability of these companies.

There are many ways that the Fund engages with companies to help limit risk, consistent with our [Environmental, Social & Governance Strategy](#) (ESG). In 2023, Program staff conducted nearly 2,000 engagements with portfolio companies—more than 1,500 of which were related to the Climate Disclosure Project’s Science Based Targets initiative. Forms of engagement and supporting activities include:



MEETINGS

Direct dialogues with portfolio companies are initiated either by the Fund or by a company’s representatives. Conversations are a particularly useful means of engagement, allowing for constructive discourse with a corporation’s management or directors, facilitating a greater understanding of the risks at hand. Meetings can be prompted for a wide variety of reasons including

the need to address an emerging controversy, in response to a communication or suggestion from the Fund, or as routine outreach conducted by a company’s investor relations staff. Engagement meetings are typically held during and in the immediate run-up to proxy season (typically mid-April to early June) but are also held off-season.



Newsday

[New York pension fund puts ESG pressure on Amazon, Facebook, ExxonMobil and others](#)

June 2, 2023



We’re asking questions of companies where we see there’s investment risk. We want to understand how companies plan to mitigate those risks.”

— Comptroller DiNapoli



LETTERS

By communicating directly with its portfolio companies, the Fund can address issues in an immediate, direct and consistent manner. Letters are a particularly effective means of engagement when the Fund wishes to communicate the same message to a number of companies.

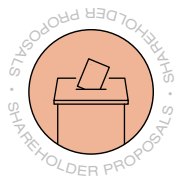


PROXY VOTING

One of the ways that the Fund uses its voice is by casting proxy votes at a corporation’s annual meeting. The Fund votes by proxy on all director nominees, advisory votes, and shareholder proposals at annual and special meetings for each of the domestic companies in the Fund’s public equity portfolio, as well as those of select non-U.S. companies.

The Fund cast more than 30,900 votes at 3,235 portfolio company meetings in the 2023 proxy season.

Voting decisions are made independently by the Fund based on standards in its [Proxy Voting Guidelines](#). The guidelines are reviewed biennially but may be updated if warranted at any time. In addition to the guidelines, the Fund’s votes are informed by a diverse body of research from publicly available sources including U.S. Securities and Exchange Commission (SEC) filings, proxy advisors, company websites, and reports from analysts, academics and the media. Voting is an important fiduciary obligation.



SHAREHOLDER PROPOSALS

A shareholder proposal is a formal mechanism where an investor asks a corporation to address a specific issue. The process is governed by Rule 14a-8 of the Securities and Exchange Act of 1934 and regulated by the SEC. In 2023, the Fund filed shareholder proposals with 36 portfolio companies on a wide range of issues. Shareholder proposals may be withdrawn when a company agrees to implement the change sought by the proponent. If an agreement cannot be reached, the proposal is put to a vote by all shareholders at the company's next annual meeting. In 2023, the Fund secured agreement on 25 shareholder proposals, with another 9 submitted to a vote. The voting results of a proposal, though nonbinding, can send a strong message to other shareholders and the company's leadership—often leading to positive action.



PUBLIC POLICY & ADVOCACY

Public policy and advocacy are a focus of the Corporate Governance Program's strategy, employed when they may improve the long-term value of the Fund's investments. The Fund actively supports public policy that promotes the overall stability, transparency, and efficient functioning of financial markets and the economy. Advocacy can take many forms including meetings and correspondence with elected representatives, regulators, and other public officials, testimony at hearings and forums, submitting comments on regulatory and legislative proposals, and participation in state, national, and international forums and initiatives.



LEGAL ACTIONS

On occasion, the Fund will initiate legal action to address particularly egregious conduct by a portfolio company. One option is a derivative lawsuit, a legal action taken on behalf of the company when it is believed that a company's officers or directors failed to comply with their fiduciary obligations. Successful settlements may result not only in the recovery of damages for the company but can also yield important governance reforms. In the past, the Fund has achieved landmark settlements with The Boeing Company and Wynn Resorts Ltd.

Climate Change

“ Companies are contributing to building a lower-carbon economy and are recognizing their responsibility to address shareholders’ concerns about the risks posed by climate change.”

— Comptroller DiNapoli



The summer of 2023 was the planet’s hottest since global records began in 1880. Extreme heat, storms, wildfires, flooding and drought underscored the rising cost and systemic risk of climate change.

Companies that address climate risk and prudently plan for a low-carbon future are seizing a business opportunity at the scale of the industrial revolution that’s moving at the speed of the digital revolution. The Fund is committed to achieving net-zero greenhouse gas (GHG) emissions by 2040. Consistent with this goal and our comprehensive [Climate Action Plan](#), in 2023 the Fund engaged in a number of ways to address climate risk to our investments.



SHAREHOLDER PROPOSALS

The Fund [reached agreements](#) with four major U.S. companies—Carrier Global Corp., Papa John’s International Inc., Century Aluminum Co. and Spirit Reality Inc.—to evaluate and set targets to reduce their greenhouse gas emissions.



Learn more about how the Fund is addressing climate change-related risk: [2023 Progress Report on the New York State Common Retirement Fund's Climate Action Plan](#)

July 2023



PROXY VOTING

In 2023, [Comptroller DiNapoli urged shareholders](#) of the largest U.S. banks including Citi, Bank of America, Wells Fargo, JPMorgan Chase, Morgan Stanley, and Goldman Sachs, to support his call for greater disclosure on how they align their financing activities with the ongoing climate transition. The Fund also voted against over 350 directors at companies like Exxon Mobil Corporation, Chevron Corporation and Kinder Morgan, Inc. for failing to address climate risk.

ExxonMobil



KINDERMORGAN
INC.



PUBLIC POLICY & ADVOCACY

The Comptroller continued to encourage the SEC to finalize its proposed climate change disclosure rule and submitted a comment letter with the U.S. Environmental Protection Agency supporting methane regulations.



MEETINGS

Through the Fund's participation with Climate Action 100+, engagements including the discussion of decarbonization of gas utilities, Scope 3 disclosure and targets, capital allocation alignment and just transition were conducted with Duke Energy Corporation, Ford Motor Company, American Electric Power Company, Inc., and Exxon Mobil Corporation.

Workforce Management

“ The right to join unions, without interference, and collectively bargain can help improve workers’ health and safety, as well as increase their training, skills, and productivity. It’s in the companies’ own interests, and in the long-term interests of shareholders, to ensure workers are treated fairly.”


— Comptroller DiNapoli

 Labor Day Parade


A company’s value is intrinsically tied to its many stakeholders including investors, employees, customers, suppliers, creditors, regulatory agencies, and the communities in which business is conducted.

Effective board oversight of these key relationships, along with the risks and opportunities associated with them, is critical to long-term shareholder value. The Fund’s stewardship of workforce management issues is based on the core principle that companies that establish and maintain constructive relationships with their workers are sustainable and profitable in the long term.



 NYS Association of Black, Puerto Rican, Hispanic & Asian Legislators Caucus



 New York City Carpenters Apprentice Open House



Bloomberg Law

[eBay Pressured to Reinstate Quietly Deleted Union-Support Policy](#)

November 21, 2023



SHAREHOLDER PROPOSALS

In 2023, the Fund filed [shareholder proposals](#) with DoorDash, Inc., Netflix, Inc., and Gannett Co. Inc., to urge them to honor the right of freedom of association and not interfere in organizing efforts. This led to agreements with DoorDash and Gannett, which adopted new freedom of association policies. The Fund also filed a proposal with Walmart Inc. which resulted in an agreement to enhance reporting on its workers' rights practices.



LETTERS

In 2023, Comptroller DiNapoli wrote to CEOs urging expeditious and equitable settlements in several major labor disputes and strikes. In May, he wrote to UPS about the Teamsters strike. In August he wrote to the major studios about the writers' and actors' strikes. In September, he wrote to Ford Motor Company, General Motors, and Stellantis N.V., regarding the auto workers' strike. And in November, the Comptroller wrote to eBay Inc. about language supporting the right to organize that the company deleted from its Human Rights Policy Statement.



PUBLIC POLICY & ADVOCACY

Fund staff met with SEC Chairperson Gary Gensler to discuss proposed rulemaking related to workforce management disclosures. The Fund also [submitted written comments](#) to the SEC in support of more relevant, timely, and comparable workforce disclosures.



PROXY VOTING

The Fund voted against directors at Starbucks Corporation and Amazon.com, Inc. for lack of oversight over workforce issues.

Diversity, Equity & Inclusion

“ Inequality erodes value and diversity drives innovation. When companies embrace inclusivity, shareholders win.”

— Comptroller DiNapoli



Men of Color Health Awareness (MOCHA) Center



Diversity, equity and inclusiveness are fundamental values of companies with sound, sustainable and profitable long-term strategies. Companies are increasingly recognizing that fostering a diverse workforce, promoting equity, and ensuring inclusion are critical drivers of business success. Failure to establish robust DEI policies and practices can result in reputational damage, talent attrition and hindered innovation. Investors now view DEI as indicative of a company’s adaptability to societal shifts and its potential to weather emerging social challenges. Moreover, companies with diverse teams are better equipped to understand a broad range of perspectives, which can lead to more informed decision-making and a competitive edge in an evolving global marketplace.

Diversity is a Competitive Advantage

SHAREHOLDER PROPOSALS

In 2023, [the Fund filed a series of shareholder proposals](#) to improve corporate accountability for diversity, equity and inclusion. Agreements were reached with Universal Health Services, Inc. and Brinker International, Inc. to disclose the diversity of their workforces, and with Chipotle Mexican Grill, Inc. to conduct an independent audit of the company’s civil rights, racial equity, diversity and inclusion efforts.





MEETINGS

The Fund met with representatives of Spirit AeroSystems Holdings, Inc. to discuss their operations in Northern Ireland and promote equality of opportunity for individuals from all religious backgrounds.



LETTERS

Comptroller DiNapoli sent letters to companies requesting actions to address DEI-related issues, including increasing board diversity. The letters were sent to 75 of the largest Russell 1000 index companies that lack sufficient board diversity according to the Fund’s Proxy Voting Guidelines. Companies receiving the letter included JPMorgan Chase & Co., Costco Wholesale Corporation, Netflix, Inc., Citigroup Inc., Moderna, Inc., Dell Technologies, Inc., and Caesars Entertainment, Inc.



PROXY VOTING

The Fund votes against boards at companies that lack director diversity, based on indications such as having no directors identifying as an underrepresented minority. In 2023, the Fund voted against directors for this reason at companies including Caesars Entertainment, Inc., DISH Network Corporation, and Reynolds Consumer Products Inc.



Inclusivity Drives Innovation

Developing and preserving an inclusive workforce is vital to recruitment, retention and productivity. Studies have shown that diverse, inclusive businesses generate significantly more revenue from innovation. Companies that promote diversity and foster a sense of belonging—and follow through with concrete policies and practices—have generated greater long-term shareholder value.



BCG

[How Diverse Leadership Teams Boost Innovation](#)

January 23, 2018

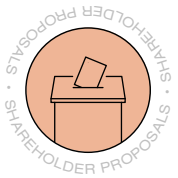




Bloomberg

[Wells Fargo Investors Overrule the Board in Favor of Annual Harassment Report](#)

April 25, 2023



SHAREHOLDER PROPOSALS

In 2023, proposals asking companies to report on efforts to prevent harassment and workplace discrimination and disclose data on the use of nondisclosure agreements and concealment clauses were filed with companies including Activision Blizzard, Inc., Pinterest, Inc., and Wells Fargo & Company. [The proposal at Wells Fargo & Company](#) received majority support from shareholders.



LETTERS

In June 2023, Comptroller DiNapoli wrote to 55 portfolio companies that had demonstrated leadership by signing the Human Rights Campaign and Freedom for All Americans Business Statement on Anti-LGBTQ+ Legislation. The letter prompted responses and dialogues detailing the various means by which the companies support LGBTQ+ inclusion. The Comptroller also launched an initiative in 2023 to encourage companies to take actionable steps to ensure disability-related issues are being incorporated in company strategy at the highest levels, including increasing board-level disability representation. Following the October 7, 2023 terrorist attack in Israel and the resulting increase in antisemitic attacks throughout the world, [Comptroller DiNapoli sent letters to 50 companies](#), including Tesla Inc., Meta Platforms Inc, Microsoft Corp., and NIKE Inc., urging them to join the Anti-Defamation League’s (ADL) Workplace Pledge to Fight Antisemitism. When joining the pledge, organizations agree to actively prevent antisemitism in their workplaces.



Governance

“ When companies take controversial actions or adopt questionable governance practices that could jeopardize shareholder value, it’s our role to speak up about these potential risks to our investments.”

— Comptroller DiNapoli



Onondaga County
Comptroller’s Meeting

Sound governance and responsible business practices are imperative to well-functioning companies with a strategy to create shareholder value.

It is essential that companies maintain autonomous boards composed of diverse, well-qualified directors who engage in rigorous management and risk supervision. Sustainable executive compensation programs align management incentives with long-term value creation, reducing short-termism and fostering strategic decision making. Equally crucial is the thorough disclosure of risks, enabling investors

to make informed choices and mitigate uncertainties. The adept management of controversies demonstrates a company’s commitment to addressing concerns transparently and taking corrective actions. By adhering to these practices, companies can attract investment, enhance their reputation, and navigate a dynamic business environment with resilience and integrity.

Voting on Director Nominees

The ability to vote for or against board nominees is a direct and often highly effective means for shareholders to hold a corporation accountable. **In 2023, the Fund most frequently withheld support for directors due to:**

Ongoing
COMPENSATION CONCERNS

Ongoing
POOR PAY-FOR-PERFORMANCE POLICIES

Lack of
BOARD DIVERSITY

Failure to Manage
MATERIAL RISKS

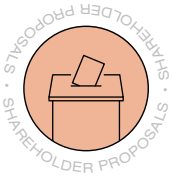
Insufficient
BOARD AND/OR COMMITTEE INDEPENDENCE

“OVERBOARDED” DIRECTORS
who sit on too many different boards to fulfill their duties effectively

GOVERNANCE CONCERNS
that insulate management from accountability to shareholders following an initial public offering

Executive Compensation: Pay that Reflects Performance

Shareholder votes on executive compensation—so called “Say-on-Pay” votes—promote accountability by allowing shareholders to review and influence compensation practices and strategies. Executive compensation policies should focus on ensuring long-term, sustained performance for the company and its shareholders.



SHAREHOLDER PROPOSALS

In 2023, the Fund filed proposals with ConocoPhillips, Valero Energy Corporation, and Yum! Brands, Inc. seeking disclosure and policies related to the retention of executive equity compensation to encourage performance in the long term.



PROXY VOTING

Voted against 33 percent of proposed compensation plans presented in Say-on-Pay advisory ballot items in 2023 including those for Broadcom Inc., DocuSign, Inc., and Illumina, Inc. for poor pay practices.



THE WALL STREET JOURNAL

[Norfolk Southern Annual Meeting a Test of Investor Response to East Palestine Crisis](#)

May 8, 2023



Supply Chain & Safety Issues



LETTERS

Following media reports alleging the use of suppliers that illegally employ underage migrant children, the Comptroller joined other investors in writing the companies asking how they were addressing the issue of illegal child labor in their supply chains.

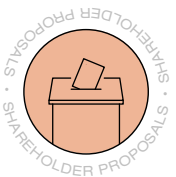


PROXY VOTING

Voted against all board directors at Norfolk Southern Corporation for their failure to appropriately manage the risks brought to light by the East Palestine train derailment.

Political Spending Accountability

Corporate political activity is fraught with risk. Companies engaging in partisan politics by making less-than-transparent political contributions can endanger shareholder value by damaging their brand, undermining business strategies, and inflaming partisan divisions among consumers and employees alike. The Comptroller has encouraged companies to consider whether such spending is ever in investors' interest.



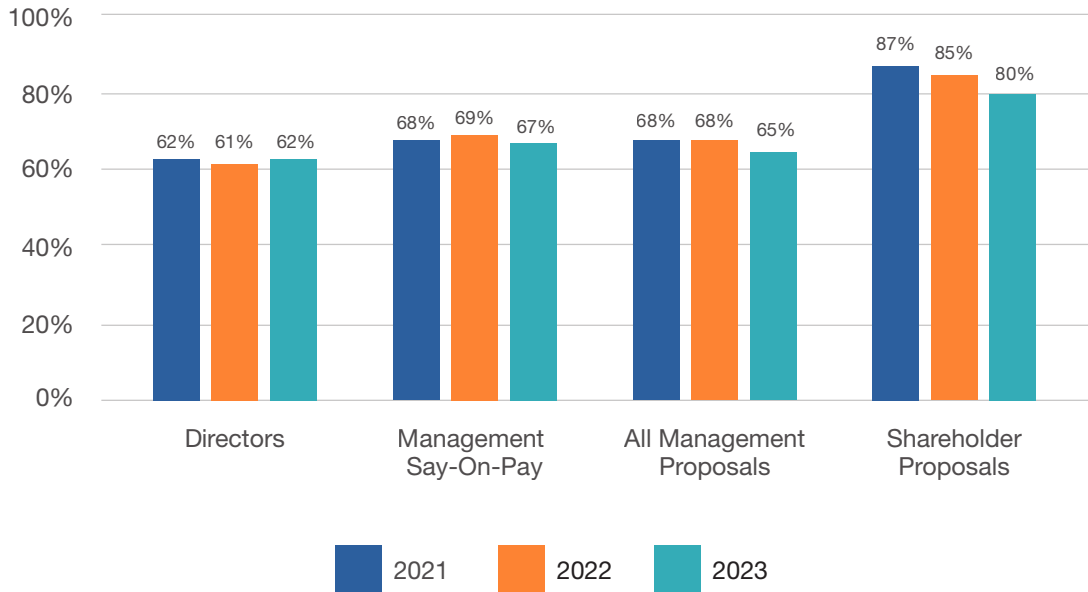
SHAREHOLDER PROPOSALS

In 2023, the Fund reached agreements with seven portfolio companies including Match Group, Inc., Paramount Global, and Warner Bros. Discovery Inc., to [enhance disclosure of their political spending](#).

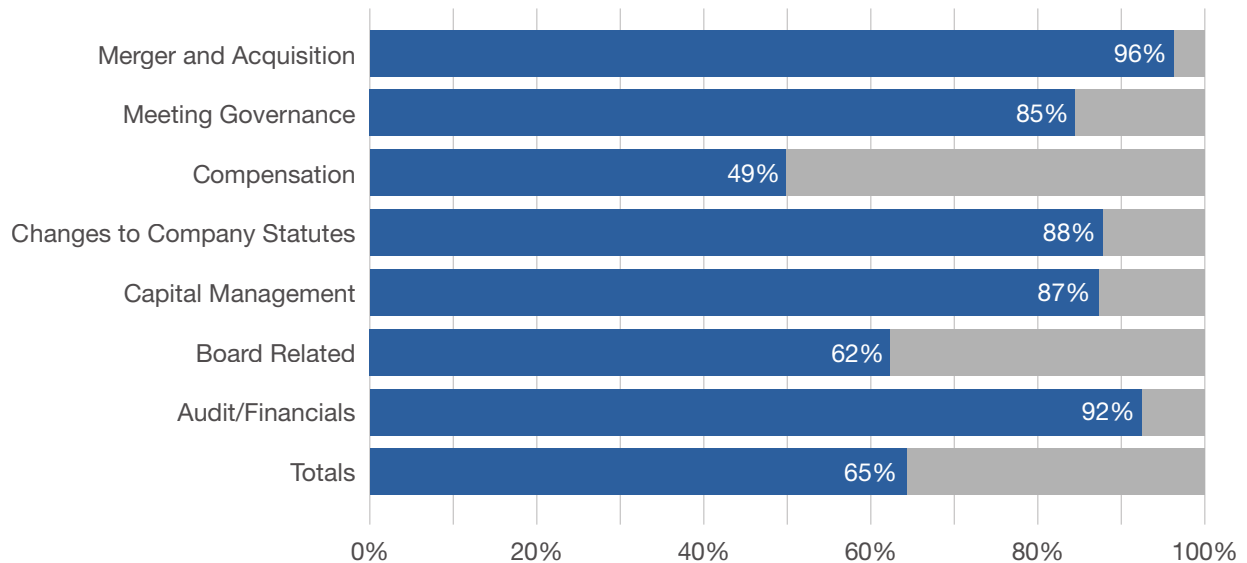


Appendix: 2023 Quick Facts

FUND VOTES OF APPROVAL BY BALLOT ITEM TYPE

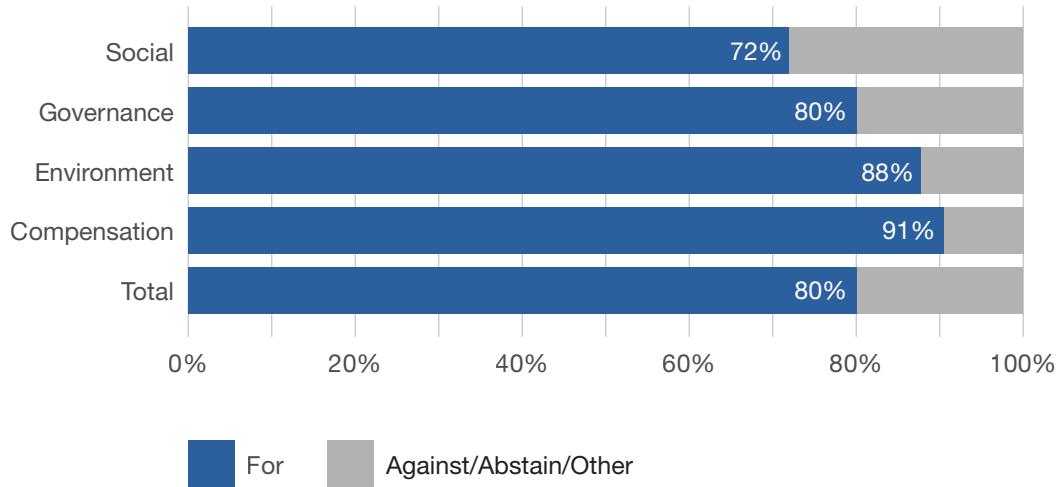


FUND 2023 VOTING STATISTICS ON MANAGEMENT PROPOSALS

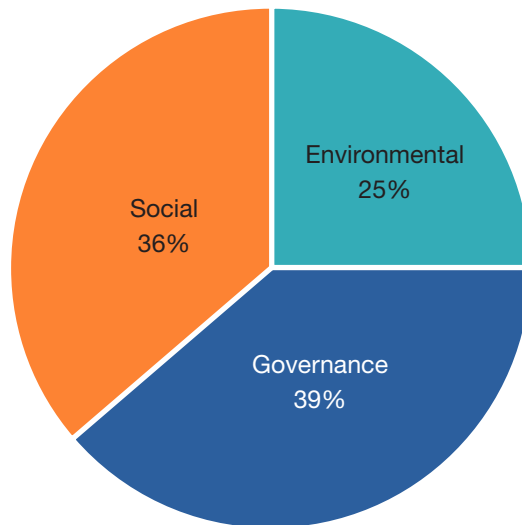


Appendix: 2023 Quick Facts

FUND 2023 VOTING STATISTICS ON SHAREHOLDER PROPOSALS



2023 SHAREHOLDER PROPOSALS FILED BY TOPIC



Appendix: 2023 Shareholder Proposals

COMPANY	ISSUE	RESULT
The Kraft Heinz Company	Deforestation	Withdrawn with Agreement
Brinker International, Inc.	DEI Reporting	Withdrawn with Agreement
Universal Health Services, Inc.	DEI Reporting	Withdrawn with Agreement
Activision Blizzard, Inc.	Discrimination and Sexual Harassment Disclosure	Withdrawn with Action
Bank of America Corporation	GHG Reduction Targets	11 Percent in Favor
Carrier Global Corporation	GHG Reduction Targets	Withdrawn with Agreement
Century Aluminum Company	GHG Reduction Targets	Withdrawn with Agreement
General Dynamics Corporation	GHG Reduction Targets	Withdrawn
Papa John's International, Inc.	GHG Reduction Targets	Withdrawn with Agreement
Spirit Realty Capital, Inc.	GHG Reduction Targets	Withdrawn with Agreement
Elevance Health Inc.	Health Disparities Report	Withdrawn with Agreement
Humana Inc.	Health Disparities Report	Withdrawn with Agreement
Centene Corporation	Maternal Health Metrics	12 Percent in Favor
Molina Healthcare, Inc.	Maternal Health Metrics	Withdrawn with Agreement
Pinterest, Inc.	NDAs/Concealment Clauses	6 Percent in Favor
Wells Fargo & Co.	NDAs/Concealment Clauses	52 Percent in Favor
Meta Platforms, Inc.	One Share One Vote	28 Percent in Favor
DoorDash, Inc.	Policy on Freedom of Association	Withdrawn with Action
Gannett Co., Inc.	Policy on Freedom of Association	Withdrawn with Action
Netflix, Inc.	Policy on Freedom of Association	36 Percent in Favor
Caesars Entertainment, Inc.	Political Spending Disclosure	42 Percent in Favor
Match Group Inc.	Political Spending Disclosure	Withdrawn with Agreement
Paramount Global	Political Spending Disclosure	Withdrawn with Agreement
Penn Entertainment, Inc.	Political Spending Disclosure	Withdrawn with Agreement
Warner Bros. Discovery Inc.	Political Spending Disclosure	Withdrawn with Agreement
Zillow Group, Inc.	Political Spending Disclosure	Withdrawn with Agreement
Zoom Video Communications, Inc.	Political Spending Disclosure	Withdrawn with Agreement
The Coca-Cola Company	Political Spending Disclosure	Withdrawn
Travelers Companies Inc.	Political Spending Disclosure	Withdrawn with Agreement
Chipotle Mexican Grill, Inc.	Racial Equity Audit	Withdrawn with Action
Mastercard Incorporated	Report on Lobbying Activity Alignment with ESG Policies	Withdrawn with Agreement
ConocoPhillips	Stock Retention	23 Percent in Favor
Valero Energy Corporation	Stock Retention	Withdrawn with Agreement
Yum! Brands, Inc.	Stock Retention	Withdrawn with Agreement
CVS Health Corporation	Worker Rights Assessment	26 Percent in Favor
Walmart Inc.	Worker Rights Assessment	Withdrawn with Agreement



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