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News Release

NYSTRS Freezes Investments in Top 20 Oil, Gas and Coal Companies, Representing $1 Billion in Holdings; Divests from Thermal Coal

ALBANY, N.Y. (December 28, 2021) — The New York State Teachers' Retirement System (NYSTRS) today announced it is ceasing further investment in 20 oil and gas holdings and thermal coal reserve holdings with a market value of $1 billion that pose climate-related risks to its investment portfolio. Further, the System will divest $66 million worth of other thermal coal holdings.

The announcement comes following the Retirement Board's methodical and deliberative process to analyze climate risks and opportunities related to NYSTRS' investment portfolio and is consistent with its fiduciary duties to provide retirement security to the System's nearly 435,000 members.

During its 100th anniversary year, the System is nearly 100% funded based on the estimated actuarial value of assets as of June 30, 2021. NYSTRS' 30-year rate of return, net of fees, was 9.2%. These results are top decile compared to peer public pension plans.

The Board unanimously adopted its action plan as an important first step to mitigate climate change risks in the System's investment portfolio having determined there is a rational nexus between long-term investment risks facing the companies in the fossil fuel industry and the long-term risks they pose to the System's investment in such companies.

The actions being taken by the System are detailed in the *Update to the Legislature Regarding NYSTRS' Deliberative Process to Address Climate Risk and Opportunities*, published following a Retirement Board meeting held virtually today. Specifically, the initial climate action plan calls for:

- Divestment from all directly held public equity thermal coal holdings that derive more than 10% of their revenue from activities related to thermal coal (i.e., the Divestment List).
- Creation of a Restricted List to "freeze" or prohibit directly held internal and passive external public equity portfolios from further purchases of certain carbon-intensive fossil fuel holdings, including:
    - The 10 largest positions held by the System in companies that have more than 0.3 gigaton of potential CO_2 emissions from thermal coal reserves.
    - The 10 largest positions held by the System in companies that (i) derive more than 20% of their revenue from oil and gas, or (ii) have more than 0.1 gigaton of potential CO_2 emissions from oil and gas reserves.
    - Companies that derive more than 10% of their revenue from activities related to oil sands.
- Prioritizing the companies on the Restricted List for engagement efforts, to the extent that the System directly holds equity securities in such companies, seeking to engage with such companies on their climate transition plans.

(continued)

- Revisions to NYSTRS' Stock Proxy Voting Policy to more clearly articulate the System's use of proxy voting to affect climate-friendly change among its portfolio holdings.
- Participation as an Investment Advisory Group member of the Value Reporting Foundation's Sustainability Accounting Standards Board to support the global adoption of environmental, social and governance ("ESG") sustainability reporting standards.

The action plan will be implemented in a timely and prudent manner, and the Divestment List and Restricted List will be periodically updated to reflect current conditions. Using market values as of September 30, 2021, the estimated aggregate market value of holdings on the Divestment List is approximately $66.3 million, and the estimated aggregate market value of holdings on the Restricted List is $1.036 billion.

"NYSTRS fully understands its important responsibility as an institutional investor to actively pursue the path to a climate-conscious future," said NYSTRS Executive Director & Chief Investment Officer Thomas K. Lee. "This initial climate action plan squarely puts the System on that path while remaining consistent with NYSTRS' fiduciary duties."

The Board has long diligently and thoughtfully considered complex ESG matters and how they relate to the System's long-term investments, and is creating a pathway to effectively integrate ESG factors in a responsible manner.

In the resolution adopting the climate plan, the Board noted that these actions are "in the best interests of the System's members and beneficiaries, consistent with the Board's fiduciary duties, for the System to take initial action to mitigate climate change risks in the System's portfolio."

While the System's climate action plan is an important first step, the Retirement Board's deliberative process will continue in 2022. NYSTRS anticipates undertaking further deliberations in a number of different areas, including but not limited to the following:

- Complete due diligence of the oil sands industry no later than December 31, 2022 with a recommendation to the Retirement Board at its January 2023 meeting.
- Develop a Divestment Policy to guide future engagement activities and divestment decisions.
- Continue to look for climate-friendly investment opportunities.
- Analyze fixed income and private equity investments for climate-related risks and opportunities.

"The Board is committed to helping develop the path to a climate-friendly future," Lee said. "In 2022, NYSTRS anticipates undertaking further deliberations in a number of different areas, and the System pledges to continue working with industry groups in support of ongoing regulatory efforts to develop climate disclosure frameworks and standards that promote clear, consistent, reliable and decision-useful climate disclosures."

Further details of the action plan, including the Board's commitment to continue its deliberative process in 2022 and beyond, are found in the Update, which is available on the Investments page of the System's website at NYSTRS.org.

NYSTRS, one of the 10 largest public pension funds in the nation, provides retirement, disability and death benefits to eligible New York State public school teachers and administrators. The System, which manages one of the best-funded pension plans in the country, pays more than $7.7 billion annually in benefits, over 80% of which is distributed to New York residents.

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