



ASSET MANAGER NET ZERO EXPECTATIONS

Guidance for Public Markets Managers

OVERVIEW

TRS, NYCERS and BERS (each a "System", and collectively the "Systems") have aspirational goals to achieve net zero GHG emissions across their portfolios by 2040 to address the systemic risks of climate change to their investments, consistent with fiduciary duty.

Each System adopted a Net Zero Implementation Plan in 2023 which can be found here:

- [TRS Net Zero Implementation Plan](#) 
- [NYCERS Net Zero Implementation Plan](#) 
- [BERS Net Zero Implementation Plan](#) 

In their Net Zero Implementation Plans, the Systems set expectations for their asset managers to align as best as possible with their net zero goal in one of the following ways:

- Commit to achieve net zero emissions by 2050 or sooner; or
- Set science-based targets (5- to 10-year emissions reduction target that is consistent with a 1.5°C emissions pathway covering Scopes 1 and 2 and material Scope 3 emissions); or
- Adopt an acceptable alternative approach to support a transition to a net zero economy

Asset managers must apply these approaches at a minimum to the assets they manage on behalf of the Systems.

Asset managers should not exclude or select investments (portfolio companies or assets) for the purpose of meeting these expectations unless doing so is fully consistent with the manager's fiduciary duty and the relevant fund's investment objectives and standards. The Systems seek to support real-economy decarbonization which cannot be achieved through portfolio decarbonization alone but requires broad engagement of investments to appropriately transition.

SUBMITTING A SUMMARY WRITTEN IMPLEMENTATION PLAN



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Asset managers that invest in public equity or corporate bonds on behalf of the Systems must submit a summary written implementation plan by June 30, 2025 to the Bureau of Asset Management ("BAM") describing the manager's approach.

Managers should submit their summary written implementation plan to BAM by emailing it to climateplans@comptroller.nyc.gov by June 30, 2025.

INDUSTRY FRAMEWORKS

BAM encourages asset managers to consider industry frameworks to guide net zero alignment such as:

- Science-Based Targets Initiative (SBTi): [Science Based Targets Initiative](#)
- Net Zero Investment Framework (NZIF): [Net Zero Investment Framework](#)
- Climate Action 100+ Net Zero Company Benchmark: [Net Zero Company Benchmark | Climate Action 100+](#)
- Transition Pathway Initiative: [Tool - Transition Pathway Initiative](#)
- Net Zero Asset Owners Alliance (NZAOA) Protocol: [NZAOA Target-Setting Protocol Fourth Edition](#)
- Private Markets Decarbonization Roadmap (PMDR): [Private Markets Decarbonization Roadmap](#) (while PMDR specifically addresses private markets, it provides a reporting protocol and decarbonization maturity scale that can also inform public markets decarbonization approaches)

Asset managers are not required to adopt any particular framework to meet the Systems' expectations but may find it useful to refer to one or more of these frameworks in developing their approach.



FUNDAMENTAL ELEMENTS OF ACCEPTABLE ALTERNATIVE APPROACH

BAM does not prescribe a single approach for all asset managers to align with the Systems' net zero expectations. Managers should determine an appropriate approach based on their asset class, investment strategy, industry, geography, market factors, resources and other characteristics of the asset manager, portfolio companies and underlying assets. In addition, expectations differ based on control v. non-control investments.

However, asset managers should seek to incorporate certain fundamental elements in their approaches.

All public markets managers should adopt the following practices to apply, at a minimum, to investments managed on behalf of the Systems:

1. Engage portfolio companies to drive real economy decarbonization in line with best available science on achieving the 1.5° C ambition of the Paris Agreement where feasible and consistent with fiduciary duty.
2. Incorporate material climate change-related risks and opportunities in investment decision-making including due diligence and portfolio management.
3. Ensure a robust and systematic stewardship strategy that addresses prioritization and escalation of engagement and voting (where the manager has voting rights) to advance decarbonization. Engagement can be direct, collaborative or a hybrid. Expectations of a stewardship strategy are outlined below.

STEWARDSHIP EXPECTATIONS

Managers should set a goal that all portfolio companies adopt the following policies and practices ("climate practices"):

1. **Governance:** Board-level oversight of climate risks and climate-related strategy.
2. **Emissions Measurement:** Measure and report Scopes 1, 2 and material Scope 3 emissions. Scope 3 emissions are considered material when they comprise more than 40% of combined scopes 1, 2 and 3 emissions.
3. **Quantified Climate Ambition:** Set one or more of the following quantified climate ambitions:
 - a. Set science-based targets (e.g., Science-Based Targets Initiative (SBTi)-approved or other independently validated) quantified emissions reduction targets that



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consider best available science on achieving the 1.5° C ambition of the Paris Agreement

- b. A long-term ambition to achieve net zero GHG emissions by 2050 or sooner
4. **Transition Plan:** Adopt a clear transition plan or strategy to achieve emissions reduction targets and any other decarbonization goals.
5. **CapEx Alignment:** Align future capital expenditures with their climate goals and targets.
6. **Performance:** Demonstrate appropriate progress toward robust climate-related goals.
7. **Climate Risk Disclosures:** Provide climate-related disclosures consistent with the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations or International Sustainability Standards Board (ISSB) standards.
8. **Lobbying Alignment:** Ensure their lobbying activity related to climate are not counter to their decarbonization goals.
9. **Just Transition:** Consider the impacts from transitioning to a lower carbon business model on its workers and communities.

Managers should also consider engaging companies, as appropriate, on additional policies and practices to address climate-related risks and opportunities that may include but are not limited to incorporating climate change in senior executives' remuneration, conducting climate-related scenario analysis as part of business planning, disclosing an internal price of carbon and committing to a time-bound phase-out of investments in carbon intensive assets or products.

To implement their stewardship strategy, all managers should adopt the following practices:

1. **Monitoring:** Monitor and assess, on at least an annual basis, all portfolio companies for whether they are progressing on the above climate practices.
2. **Focus list/Engagement Target:** Establish a clear rationale and process for identifying and updating a focus list of companies to prioritize for engagement. The rationale should include the present and potential financial materiality of climate-related risks and opportunities for the companies and the feasibility of companies adopting the climate practices. Managers should make best efforts for the focus list to include at least 70% of the financed emissions (Scope 1 & 2) of investments managed on behalf of the Systems. Managers should seek to increase this engagement coverage target to at least 90% of financed emissions for Scope 1, 2 and 3 by 2030.
3. **Systematic Engagement:** Establish a systematic approach to engage, at a minimum, focus list companies to encourage continuous improvement in their practices to address climate risks and opportunities, including adopting the above climate practices. For companies



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that have not yet adopted all the climate practices, engage them to adopt specific climate practices not yet adopted as well as improve their practices. Companies will increase and improve their climate practices on different timelines and paces. While it is not expected that all companies will necessarily be able to adopt all the climate practices during the manager's holding period, managers should make best efforts to encourage companies to be on a pathway to adopting all the practices.

4. **Clear Proxy Voting Policy & Escalation Measures:** For public equity managers, ensure a clear and consistent proxy voting policy related to climate that includes: rationale and measures for escalation at companies that are material contributors to the manager's financed emissions for the Systems' investments where such companies have not made adequate steps to address material climate issues, have not made sufficient progress toward their goals or have not made progress toward adopting the climate practices. Managers should include voting against company directors as an escalation measure and outline the criteria for taking this escalation measure.

STEWARDSHIP EXPECTATIONS FOR COMPANIES IN HIGH-EMITTING SECTORS

While the above stewardship expectations apply to all companies, managers should ensure prioritization of engagement of companies in high emitting sectors to adopt the climate practices with particular emphasis on the following core practices:

1. Set science-based targets (e.g., Science-Based Targets Initiative (SBTi)-approved or other independently validated) quantified emissions reduction targets that consider best available science on achieving the 1.5° C ambition of the Paris Agreement
2. Set a long-term ambition to achieve net zero by 2050 or sooner

High-emitting sectors include, at a minimum, the energy, utilities, materials and industrial sectors. For a list of sectors deemed to be "high impact material sectors" in the Net Zero Investment Framework (NZIF), please see [Net Zero Investment Framework 2.0](#), page 23. NZIF identifies these sectors based on the GHG emissions in their value chain. Managers should consider companies in the high impact material sectors for potential prioritization of engagement and inclusion in the focus list.

ANNUAL REPORTING



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Managers will be expected to provide annual reporting to BAM on efforts and progress made with their implementation plan, beginning in 2026. BAM will communicate the format of this reporting to all managers at a later date.