NEW YORK CITY COMPTROLLER
BRAD LANDER

New York City Retirement Systems 2023 Shareowner Initiatives

Postseason Report

BUREAU OF ASSET MANAGEMENT

DECEMBER 2023

1 Centre Street, New York, NY 10007 • (212) 669-3916 • www.comptroller.nyc.gov • @NYCComptroller

Contents

Corporate Governance and Responsible Investment

The New York City Comptroller, as investment adviser to the five New York City pension funds and retirement systems (individually "System" and collectively "NYCRS" or the "Systems"), is responsible for voting the Systems' proxies and implementing the Systems' shareholder initiatives. The Systems are comprised of the following:

New York City Board of Education Retirement System (BERS)

New York City Employees' Retirement System (NYCERS)

New York City Fire Pension Fund (Fire)

New York City Police Pension Fund (Police)

New York City Teachers' Retirement System (TRS)

Consistent with the fiduciary obligations of the Systems' Boards of Trustees, the Systems' proxy voting and shareholder initiatives are a form of active ownership (or "stewardship") intended to promote sound corporate governance and sustainable business practices at portfolio companies to protect and enhance the long-term value of the Systems' investments.

Within the Office of the New York City Comptroller, the Bureau of Asset Management's Corporate Governance and Responsible Investment team develops and implements the proxy voting and shareholder program for each of the five Systems, including submitting shareholder proposals to and engaging with management and directors at portfolio companies. The Comptroller's Office presents the recommended shareholder proposal programs to the Proxy Committee of each System for review and approval. Each Proxy Committee acts on behalf of its respective Board of Trustees.

This report, which is prepared by the Comptroller's Office and reviewed by the trustees of each System, serves as the Comptroller's annual report ("Postseason Report") to each System's Board of Trustees. The Report covers shareholder proposal outcomes and proxy voting information for the 12 months ending June 30, 2023, consistent with the fiscal year reporting period used by the Systems and by the City of New York. Rather than permit its investment managers to vote its proxies, NYCRS retains voting authority and votes its own proxies. Most U.S. companies hold their annual meetings during the spring, and June 30 is also consistent with the end of "proxy season" as generally understood by companies and investors in the U.S. market.

Active Ownership Legacy

The Systems' commitment to active ownership began partly in response to the corporate boardroom battles of the 1980's as well as the impact of globalization on capital markets. New risks were posed by these market forces. The Systems adapted, developing approaches seeking increased transparency and sustainable business practices that address risk as well as protect and improve the long-term performance of portfolio companies. In some areas, improved practices championed by the Systems have been widely adopted by the market.

Some of the Systems initiatives include:

- In 1984, the Systems advanced the concept that businesses have a responsibility to respect human rights and urged companies doing business in apartheid-torn South Africa to adhere to specific human rights principles or face divestment – a core commitment of the Systems until the first democratic elections in South Africa in 1994.

- In 1985, the Systems co-founded the Council of Institutional Investors (CII) in response to a wave of hostile takeovers by corporate raiders. CII, whose members now include public, union and corporate pension funds, as well as foundations and endowments, with approximately $5 trillion in combined assets, has become the leading voice for effective corporate governance and strong shareholder rights in the U.S market.

- In 1986, the Systems were among the first large institutional investors to exercise their rights under the Securities Exchange Act of 1934 to submit shareholder proposals for a vote at annual shareholder meetings. The proposals initiated a multi-year effort by the Systems to advocate that companies adopt the MacBride Principles, still used today, which are broad equal employment guidelines developed by former New York City Comptroller Harrison J. Goldin designed to eliminate employment discrimination in Northern Ireland.

- In 1989, the Systems worked with a small group of investors to co-found Ceres in response to the Exxon Valdez oil spill, one of the worst environmental disasters in history. Today, Ceres and its Investor Network mobilize global investors and companies to integrate sustainability into their investment risk analysis and decision-making and advocate for strong climate and energy policies in the U.S. and globally.

- In 1992, NYCERS helped pave the way for investors to challenge workplace discrimination and employment practices when it filed a shareholder proposal to ban sexual orientation discrimination at Cracker Barrel, which had said it would no longer hire LGBTQ+ employees. After the Securities and Exchange Commission (SEC) permitted the company to omit the proposal from its ballot because it dealt with "ordinary business," and also set a new standard whereby employment-related shareholder proposals would "always be excludable by corporations," NYCERS challenged the decision in court. The lawsuit was unsuccessful; however, the resulting investor outcry later prompted the SEC to reverse its position.

- In 2014, the Systems launched the Boardroom Accountability Project 1.0, a groundbreaking shareholder proposal campaign to give shareholders the right to nominate directors at U.S. companies using the corporate ballot, known as "proxy access." The initial focus list included 75 companies that failed to align executive compensation with business performance, had little or no apparent gender or racial diversity on their board, and carbon intensive energy companies that were among the most vulnerable to long-term business risks related to climate change. In its first phase, NYCRS worked company-by-company to achieve the reforms that made "proxy access" a market standard in the U.S. Today, nearly 800 U.S. companies—including over 84% of the S&P 500—have enacted proxy access bylaws, up from just six U.S. companies when the project began. In 2017, the Systems launched the Boardroom Accountability Project 2.0 to promote greater board transparency by requesting that U.S. companies disclose the self-identified race and gender of individual directors, along with their skills and experience. The initiative pioneered the "Board Matrix" format for disclosing details about company nominees and directors. According to DiversIQ, 48% of S&P 500 companies now disclose the individual race/ethnicity of each board member, up from less than 7% in 2020. In most cases, the disclosure is included as part of a skills matrix.

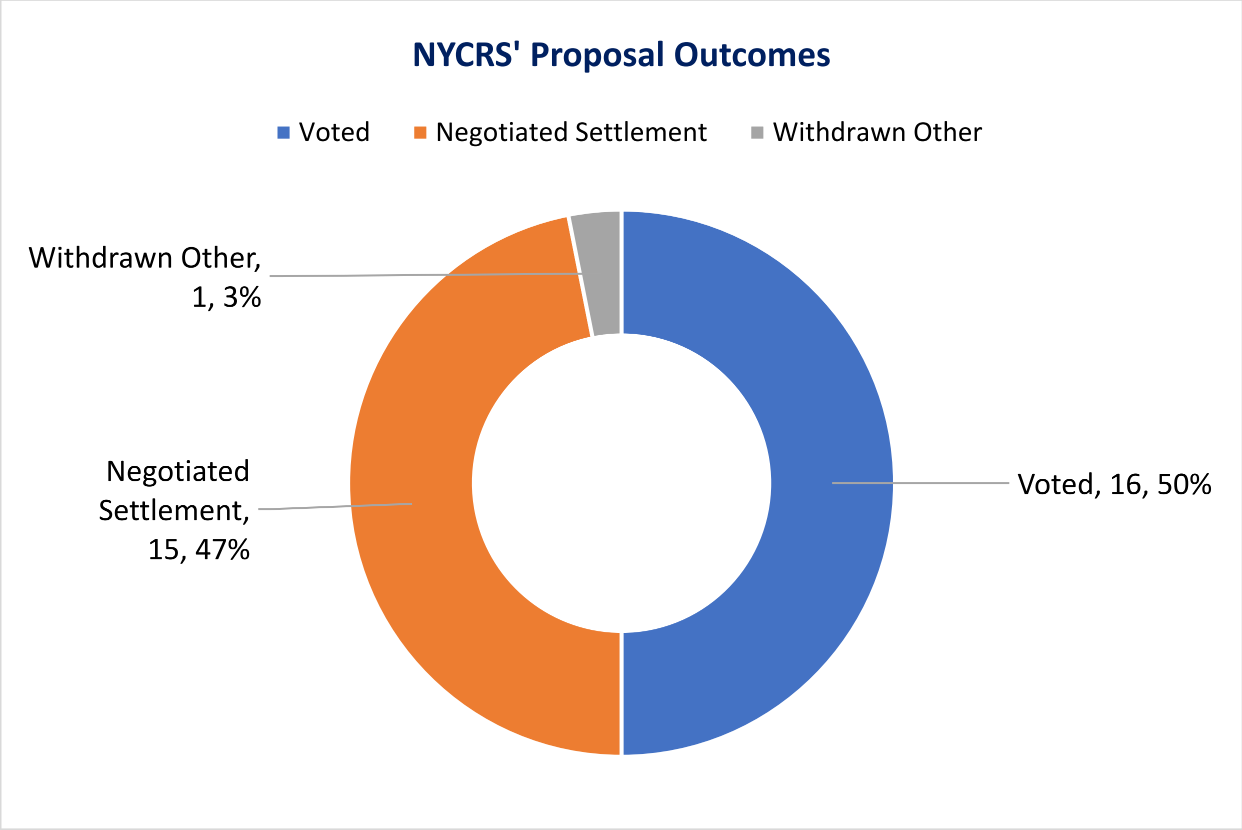
- In 2020, the Systems launched the very successful Diversity Disclosure Initiative to promote disclosure of companies' annual EEO-1 Report data to enable investors to better evaluate the performance of public companies in terms of their ability to hire, retain, and promote employees of color and women. EEO-1 Report disclosure has quickly become a leading market practice. Nearly all S&P 100 companies now disclose their EEO-1 Report, up from about 14 in July 2020, and many smaller companies also disclose the Report. According to DiversIQ, 74% of S&P 500 companies now publicly disclose their EEO-1 Reports or equivalent, up from only 10% in 2020.[1] Importantly, Just Capital looked specifically at the subset of companies that disclose EEO-1 or equivalent data and found that they delivered higher returns than those that didn't disclose an EEO-1 report or equivalent, outperforming by 7.9% over the trailing one-year period ending in 2022.[2]

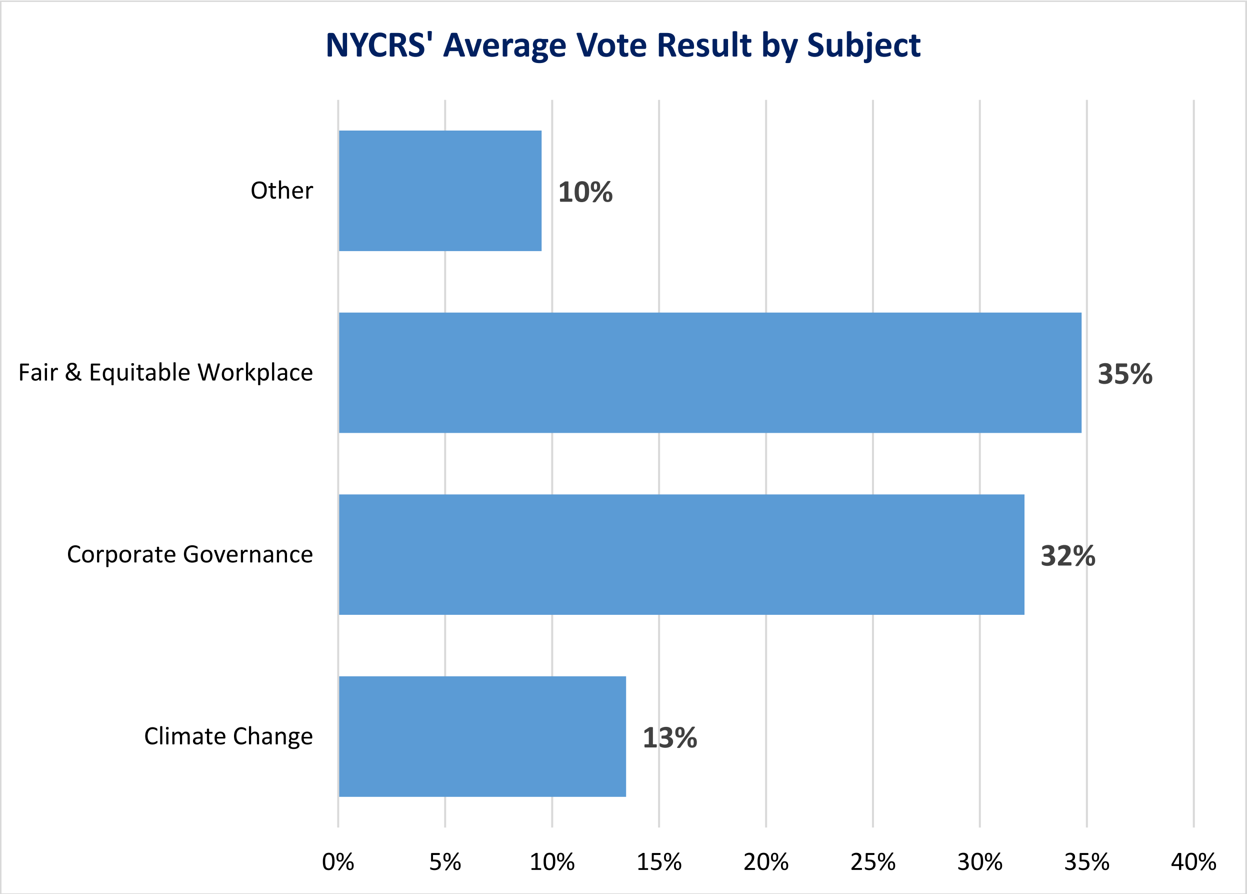
Overview of the 2023 Proxy Season

Summary Vote Results

During fiscal year 2023, the Comptroller's Office, on behalf of Systems sponsoring the proposal ("Sponsoring Systems"), submitted shareholder proposals to 32 portfolio companies that address a broad range of risks to our portfolio companies. See Table 1 on page X for a comprehensive list of the shareholder proposals, their outcomes, and the names of the Sponsoring Systems.

The Systems withdrew approximately 47% of their shareholder proposals, down from 85% in 2022, after the companies receiving the proposals agreed to take steps to implement the proposal. For those proposals that went to a vote, voting support averaged 27%, down from 35% in 2022. The decline in voting support reflected declining support for shareholder proposals generally.





Generally, average support for proposals seeking corporate action or disclosure decreased significantly, to 21.8% in 2023, down from a high point in 2021 of 33.3%. Consistent with the Systems' experience, "the erosion in support hit surging climate change proposals the hardest," according to the Sustainable Investments Institute.[3]

Despite the change in landscape, a shareholder proposal requesting **Starbucks** board commission and oversee a third-party assessment of Starbucks' adherence to its stated commitments to workers' rights, including freedom of association and collective bargaining, received 52% of the vote. Starbucks committed to disclose their assessment by the end of 2023 and the proposal was released on December 13, 2022.

In addition, a proposal requesting that the Board of Directors prepare an annual public report describing and quantifying the effectiveness and outcomes of the company's efforts to prevent harassment and discrimination against its protected classes of employees received a majority vote (55%) at **Wells Fargo.**

A Conservative Backlash to ESG

It was a difficult year for shareholder proposal proponents, whose efforts faced a well-funded backlash from conservative interest groups, Republican Attorneys General and state and federal legislators. Some argued that considering a company's environmental, social and governance related risks (broadly known as "ESG") when investing, as well as considering shareholder proposals, is a form of "woke capitalism" being used by investors to advance social and political agendas rather than returns for shareholders. Republican presidential candidates made opposition to ESG and woke investing a central pillar of their campaign messaging in 2023.

Notably, President Biden issued the first veto of his administration in March 2023 to reject a bill to overturn a Department of Labor rule that allows managers of retirement funds to consider the impact of climate risks and other ESG factors when selecting investments.

Following the President's veto, the Republican-controlled House of Representatives, convened a series of hearings in July 2023, dubbed "ESG month" by the House, to consider bills designed to curtail shareholders' ability to file proposals and/or suppress votes for those proposals.[4]

State legislatures and Republican Attorneys General took some of the most aggressive action. According to one law firm count, fourteen states adopted "anti-ESG" legislation in the 2023 legislative session. While some of the laws restricted state pension fund proxy voting, others restricted state contractors and pension fund investment management practices.

In a March 2023 letter to 53 of the biggest asset managers, Republican Attorneys General from 21 states sought to dissuade managers from supporting shareholder proposals to address climate change. Among the specific proposals referenced in the letter were NYCRS' bank climate proposals.

The proposals called on major North American banks to set interim 2030 absolute greenhouse gas (GHG) reduction targets for their lending and underwriting in the high-emitting oil and gas sectors, and in some instances for the power generation sector as well. It is noteworthy that these banks have already committed to achieve net zero emissions by 2050; the Sponsoring Systems asked the banks to set absolute reduction targets, which reflect real-world emissions reductions, so that investors can track the banks' progress toward meeting their net zero commitments (see page 22 for a description of the initiative).

Some members of the corporate community used their trade associations to aggressively argue for the elimination of the shareholder proposal process altogether. For instance, the National Association of Manufacturers (NAM) intervened in a federal court case, involving the National Center for Public Policy Research (NCPPR) and the Securities and Exchange Commission (SEC), in which the conservative group challenged an SEC no-action letter giving Kroger permission to omit an NCPPR shareholder proposal from its proxy ballot. In a federal court motion, NAM argued that under the First Amendment and federal securities laws, the SEC cannot compel companies to include shareholder proposals on their proxy ballots.[5]

It appears that the landscape had a chilling effect on some asset managers, including BlackRock, Vanguard and State Street Global Advisors, some of whom became less willing to support shareholder proposals, including those that address climate change.

Even as anti-ESG advocates were attempting to curtail shareholders ability to file resolutions, conservative groups such as NCPPR were filing them (79 proposals, up from 39 in 2020). The proposals from these groups, however, received votes averaging only 2.4%, which contributed to the overall decline in average shareholder proposal votes.

Defending the Freedom to Invest Responsibly

As long-term investors responsible for safeguarding the pensions of both current and future retirees, the Systems look to mitigate risks and maximize opportunities to deliver strong risk-adjusted returns. Responsible investing includes assessing risks that may impact financial returns. Through proxy voting, shareholder action, and direct strategic engagement, the Systems continue to ask portfolio companies to address risks, including those that arise from their corporate governance, environmental, and human capital management practices.

In 2023, Comptroller Lander joined with hundreds of private and public sector leaders to call on policymakers to protect the freedom to invest responsibly. This array of leaders reminded policymakers that building profitable businesses and investment portfolios demands an analysis of all material financial factors. In a joint statement, the leaders argued that they *should be free to consider material factors relevant to the sustainability of business:* "Our consideration of material environmental, social, and governance (ESG) factors is not political or ideological. Incorporating these issues into financial decision-making represents good corporate governance, prudent risk management, and smart investment practice consistent with fiduciary duty."

Table 1: 2023 Shareholder Proposals and Outcomes by Issue

Company	Subject	Proposal	Outcome	NYCRS Proponents
Alaska Air Group	Corporate Governance	Board Diversity Disclosure (Matrix)	Settled	N,T, B
Hilton Worldwide	Corporate Governance	Board Diversity Disclosure (Matrix)	Settled	N,T, B
JetBlue Airways Corporation	Corporate Governance	Board Diversity Disclosure (Matrix)	Settled	N,T, B
Marriott International	Corporate Governance	Board Diversity Disclosure (Matrix)	Settled	N,T, B

Company	Subject	Proposal	Outcome	NYCRS Proponents
MGM Resorts International	Corporate Governance	Board Diversity Disclosure (Matrix)	Settled	N,T, B
Moody's Corporation	Corporate Governance	Board Diversity Disclosure (Matrix)	Settled	N,T, B
Park Hotels & Resorts Inc.	Corporate Governance	Board Diversity Disclosure (Matrix)	Settled	N,T, B
Wyndham Hotels & Resorts	Corporate Governance	Board Diversity Disclosure (Matrix)	Settled	N,T, B
Wynn Resorts, Limited	Corporate Governance	Board Diversity Disclosure (Matrix)	Settled	N,T, B
NextEra	Corporate Governance	Board Diversity Disclosure (Matrix)	49.0%	N,T, B
Capital One Financial	Corporate Governance	Board Diversity Disclosure (Matrix)	44.0%	N,T, B
Wendy's	Corporate Governance	Independent Board Chair	30.0%	N,T, B, P, F
Caesars Entertainment	Corporate Governance	Board Diversity Disclosure (Matrix)	19.0%	N,T, B
Las Vegas Sands Corp.	Corporate Governance	Board Diversity Disclosure (Matrix)	18.4%	N,T, B
Apple	Fair & Equitable Workplace	Freedom of Association (FOA) Audit	Settled	N,T, B, P, F
Walmart	Fair & Equitable Workplace	Freedom of Association (FOA) Audit	Settled	N,T, B, P, F
Domino's Pizza	Fair & Equitable Workplace	EEO-1 Disclosure	Settled	N, T, B, P
Kohl's Corporation	Fair & Equitable Workplace	EEO-1 Disclosure	Settled	N, T, B, P
DoorDas	Fair & Equitable Workplace	Freedom of Association (FOA) Policy	Settled	N,T, B, P, F

Company	Subject	Proposal	Outcome	NYCRS Proponents
Wells Fargo	Fair & Equitable Workplace	Ant-Harrassment Report	55.0%	N, T, B, P
Starbucks	Fair & Equitable Workplace	Freedom of Association (FOA) Audit	52.0%	N,T, B, P, F
Netflix	Fair & Equitable Workplace	Freedom of Association (FOA) Policy	36.3%	N,T, B, P, F
Chipotle	Fair & Equitable Workplace	Freedom of Association (FOA) Policy	33.3%	N,T, B, P, F
CVS Health	Fair & Equitable Workplace	Freedom of Association (FOA) Audit	26.4%	N,T, B, P, F
Pinterest	Fair & Equitable Workplace	Anti-Harassment Report	5.5%	N,T, B, P, F
Morgan Stanley	Climate Change	Absolute GHG Reduction targets	Other[1]	N, T, B
Royal Bank of Canada	Climate Change	Absolute GHG Reduction targets	17.2%	N, T, B
JPMorgan	Climate Change	Absolute GHG Reduction targets	12.6%	N, T, B
Goldman Sachs	Climate Change	Absolute GHG Reduction targets	12.6%	N, T, B
Bank of America	Climate Change	Absolute GHG Reduction targets	11.5%	N, T, B
AMEX	Social	Gun Merchant Catergory Code Report	Settled	N, T, B
Mastercard	Social	Gun Merchant Catergory Code Report	9.5%	N, T, B

[1]Morgan Stanley proposal was withdrawn for procedural reasons.

Corporate Governance Proposals

Board Diversity Matrix: Advancing Director-Specific Diversity Disclosure

The Systems reached negotiated settlements with nine of the 13 companies that received proposals requesting the disclosure of a board diversity matrix, which includes the self-identified gender and race/ethnicity and the most relevant skills and experience of each director or director nominee:

- Alaska Air Group
- Hilton Worldwide
- JetBlue Airways
- Marriott International
- MGM Resorts
- Moody's Corporation
- Park Hotels & Resorts.
- Wyndham Hotels & Resorts
- Wynn Resorts*

*The company failed to fully comply with our proposal in 2023, but committed to doing so in their 2024 proxy statement.

As noted on page XX, the disclosure of a board diversity matrix has quickly become leading market practice since the Systems launched their initiative in 2017.

Sponsoring Systems: NYCERS, TRS & BERS

Independent Chair at Wendy's

There is a pressing need for an independent chair at Wendy's to strengthen the board's independence from Wendy's largest shareholder, Trian Fund Management, L.P. ("Trian"), and its responsiveness to investor concerns about human rights risks in Wendy's agricultural supply chain. In Fortune's 2022 ranking of the most innovative boards in the S&P 500 based on board effectiveness data and ESG scores, "companies that scored higher on-board effectiveness have an independent board chair."[6]

In addition to concerns with Wendy's underperformance during Nelson Peltz's tenure as Wendy's chair, he may have a different timeline, investment objectives, tax implications and liquidity requirements than other investors, creating potential conflicts of interest. This became evident in May 2022 when Trian filed a Schedule 13D/A with the Securities and Exchange Commission to disclose its interest in participating in a potential transaction with Wendy's. Trian subsequently disclosed that it would not be proposing a transaction, but its expression of interest in a potential transaction with Wendy's underscores the broader concern that Trian's interests may conflict with those of Wendy's independent shareholders.

As an additional concern, Wendy's Board has long been unresponsive to outreach from investors urging Wendy's to join the Fair Food Program (FFP); the FFP provides n enforceable human-rights-based code of conduct that applies to participating tomato growers, mainly in Florida. The Chair's refusal to discuss the Fair Food Program reflects a failure of Board leadership that has alienated stakeholders and exposed Wendy's to material financial, legal and reputational risks.

Sponsoring Systems: NYCERS, TRS, Police, Fire, and BERS

Investor Coalition for Equal Votes

Consistent with the Systems' policy in support of "one share, one vote," the Comptroller's Office is an active participant in the Investor Coalition for Equal Votes (ICEV), a collaboration led by UK Pension Fund RailPen with the U.S. Council of Institutional Investors. The initiative includes UK and US asset owners with over $1 trillion in assets under management who are concerned about the long-term effects of misalignment between invested capital and shareholder voting rights. ICEV encourages companies entering the public markets to consider adopting a 'one share, one vote' capital structure, or at the least, at the time of going public, incorporate into their governing documents time-based sunset provisions of seven years or less for multiple classes of voting shares.

Fair, Safe and Equitable Workplace Proposals

Employee Diversity (EEO-1 Report) Disclosure

In response to shareholders proposals from the Systems, **Domino's Pizza** and **Kohl's,** agreed to publicly disclose their Consolidated EEO-1 Report, which the companies are required to submit to the U.S. Equal Employment Opportunity Commission. The EEO-1 Report breaks down a company's U.S. workforce by race, ethnicity, and gender according to 10 employment categories, including senior management, defined to incorporate individuals within two reporting levels of the CEO.

This disclosure provides investors with consistent decision-useful information, including standardized, quantitative, and reliable data that is comparable across companies and industries, enabling investors to assess the representation of employees of color and women at various levels of the company. As noted on page XX, EEO-1 Report disclosure has quickly become common market practice since the Systems launched the Diversity Disclosure Initiative in July 2020.

Sponsoring Systems: NYCERS, TRS, Police, and BERS

Freedom of Association

The Systems submitted shareholder proposals to seven companies to safeguard workers' freedom of association and collective bargaining rights, which are fundamental human rights under internationally recognized human rights standards. Investors expect companies to commit and comply with core labor standards, including the ability to join a union without management interference, established by the International Labour Organization (ILO) as well as the UN Guiding Principles on Business and Human Rights.

In addition, as the UN Guiding Principles on Business and Human Rights make clear, "the responsibility to respect human rights is a global standard of expected conduct for all business enterprises wherever they operate. …And it exists over and above compliance with national laws and regulations protecting human rights."[7]

Some companies reference the UN Guiding Principles in their human rights policy, while others, such as Microsoft, also explicitly state that they are committed to following the higher standard where national or local law is silent or differs from international human rights standards.

The Systems' proposals asked the Board of Directors to either (a) oversee an independent assessment of management's adherence to their existing commitments to internationally recognized ILO standards to respect workers' right to form or join a union without interference and collective bargaining ("Assessment Proposal"); or (b) adopt a policy to respect workers' freedom of association and collective bargaining rights, consistent with ILO Declaration on Fundamental Principles and Rights at Work ("Policy Proposal").

At **Starbucks**, the Assessment Proposal specifically requested that the board commission and oversee a third-party assessment of Starbuck's adherence to its stated commitments to workers' rights, including freedom of association and collective bargaining. In addition, it requested that the assessment address management non-interference when employees exercise their right to form or join a trade union as well as steps to remedy any practices found to be inconsistent with Starbucks' stated commitments. After the company chose not to engage with the proponents, the proposal received 52% of the vote and Starbucks committed to disclose their assessment by the end of 2023 and was released on December 13, 2022.

Similarly, the Systems also submitted an Assessment Proposal at **Apple.** In response to productive engagement with the Systems and collaborating investors, **Apple** committed to conduct a third-party assessment of the relevant portions of its Human Rights Policy overseen by its board of directors, and the Systems withdrew their proposal. The company also committed to disclosing their assessment by the end of the 2023.

The Systems withdrew a similar Assessment Proposal at **Walmart** after the company agreed to enhance its disclosure regarding implementation of its commitment to respect freedom of association and collective bargaining, including how it monitors compliance. Unlike other companies that received the proposal, Walmart has had no recent reports of significant management interference with workers seeking to form or join a union.

The Systems withdrew a Policy Proposal at **DoorDash** after the company enacted a policy on freedom of association. Similar proposals requesting a policy went to a vote at to **Chipotle** and **Netflix** and received 35% of the vote on average.

Sponsoring Systems: NYCERS, TRS, Police, Fire, and BERS

Anti-Harassment and Discrimination Report

A shareholder proposal requesting that the Board of Directors prepare an annual public report describing and quantifying the effectiveness and outcomes of the company's efforts to prevent harassment and discrimination against its protected classes of employees received a majority vote (55%) at **Wells Fargo**. The company's hiring practices came under scrutiny when it was reported that the Company conducted interviews of diverse candidates for positions that had already been filled and subsequently retaliated against those employees that complained about the pointless interviews. As of October 2023, the company has not taken action in response to the vote.

A similar proposal received 6 % of vote cast at **Pinterest.** In 2021, the company had adopted a series of reforms to increase diversity, equity and inclusion, including releasing former employees from nondisclosure agreements, to settle a shareholder derivative suit alleging a pattern of gender and race employment discrimination and retaliation by certain executives.

Sponsoring Systems: NYCERS, TRS, Police, and BERS

Child Labor: Responding to Alleged Abuse

A surge in allegations of illegal child labor in 2023[8] prompted Comptroller Lander to join with institutional investors to address the legal, regulatory, operational, and reputational risks to the companies and their long-term shareholder returns.

Comptroller Lander led a coalition of investors and elected State Treasurers to express investor concerns to the leadership of the 11 public companies named in a New York Times investigation as allegedly profiting from the use of U.S. suppliers that illegally employ underage migrant children. The following companies received the letter: Amazon, Berkshire Hathaway, Ford Motor Company, General Mills, General Motor Company, Hyundai Motor Group, JBS Foods, Target, PepsiCo, Unilever, Walmart. All of the companies, except JBS Foods, either provided a written response or met with the Comptroller's Office to address the allegations and their subsequent response.

Comptroller Lander subsequently joined an SOC Investment Group-led coalition of investors, representing $1.3 trillion in assets under management, which called on McDonald's Board of Directors to improve its oversight of child labor. The Department of Labor had fined three McDonald's franchisees operating 62 restaurants across Kentucky, Indiana, Maryland, and Ohio $212,000 for employing 305 children. of pay. McDonald's Board Chair provided a written response to investors.

Investor Coalitions on Human Capital and Worker Rights

The Comptroller's Office is an active participant in various investor coalitions to promote fair, safe and equitable workplaces and to elevate human capital management as a critical component in company performance. These include:

- **Freedom Of Association Working Group** – an informal collaboration of investors that engages individual companies and educates investors on freedom of association and collective bargaining as a fundamental human right under international recognized human rights standards.

- **Human Capital Management Coalition (HCMC)** - The Comptroller's Office co-founded the HCMC, which is the only group run exclusively for the owners and providers of capital to engage the investment community, companies, and other market participants to understand and improve how human capital management contributes to the creation and protection of long-term shareholder value.
- **Investor Collaboration on Tech and Human Rights** – A global group of investors, coordinated by the Council on Ethics of the Swedish AP Funds, that collaboratively engages the largest technology companies on the human rights risks and impacts associated with the use of the tech giants' products and services. (The project does not address companies' other ESG risks and impacts such as environment and worker rights, among others).

Climate Change Proposals

Holding North American banks accountable for their net zero commitments.

The Sponsoring Systems submitted proposals to **Bank of America**[9], **Goldman Sachs**, **JPMorgan**, **Morgan Stanley**, and **Royal Bank of Canada** requesting that each bank disclose interim 2030 absolute greenhouse gas (GHG) reduction targets for their lending and underwriting in the high-emitting sectors of oil and gas and power generation. These targets should align with a science-based net-zero pathway and complement the emission intensity targets the banks have already set for these sectors.

An absolute target aims to reduce GHG emissions by a set amount, while an intensity target is a normalized metric that sets an organization's emissions target relative to an economic or operational variable. Unlike absolute targets, intensity targets do not guarantee emissions reductions. Relying solely on intensity targets could allow a bank's clients to invest in expanded fossil fuel production, lowering their overall carbon intensity but increasing absolute emissions.

As signatories to the Net Zero Banking Alliance (NZBA), the five banks have previously committed to achieving net-zero GHG emissions by 2050 and to reporting progress against absolute emissions and/or emissions intensity targets, but to date have only disclosed intensity targets.

All of the proposals, except at Morgan Stanley, went to a vote and received 13.5% of votes cast on average. The proposal at Morgan Stanley was withdrawn for procedural reasons.

Sponsoring Systems: NYCERS, TRS & BERS

Climate Action 100+ Leadership and Related Engagement

The Systems are founding members of the Climate Action 100+ ("CA100+"), an ambitious global investor collaboration through which 700 global investors with $68 trillion in assets across 33 markets engage the 170 companies that are critical to the transition to a low carbon economy. The initiative conducts progress reporting and publicly benchmarks all focus companies using the Net Zero Company Benchmark.

The Systems serves as the lead investor on behalf of the CA100+ at **Ford**, **General Motors** (GM), and **General Electric** (GE), and as co-lead at truck-maker **Paccar**, as well as a collaborating investor in engagements with other CA100+ focus companies, mainly electric utilities such as **American Electric Power**, **Dominion Energy**, **Duke Energy** and **Southern Company**.

During 2023, NYCRS' CA 100+ engagements with Ford, GE, GM and Paccar, the Systems prioritized requests for alignment of the companies' public policy advocacy with their commitments to achieve net zero emissions, consistent with the goals of the Paris agreement. At the three transportation companies, the Systems focused on the automakers' positions on proposed Environmental Protection Agency and Department of Transportation regulations, including proposed changes to corporate average fuel economy (CAFE) standards and GHG emissions regulations, as well as further development and disclosure of electric vehicle fleet strategy and execution, and the need for GHG emissions reductions in internal combustion engine vehicles. In light of its experience engaging the major U.S automakers, and in parallel to the CA100+, the Comptroller's Office collaborated with other institutional investors to engage with **Toyota** regarding its public policy advocacy and fleet strategy.

2023-24 CDP Science-Based Targets Campaign

Consistent with the Net Zero implementation Plans adopted by NYCERS, TRS and BERS, the Comptroller's Office joined the 2023-24 CDP Science-Based Targets Campaign. Signatories' assets amount to $32 trillion. CDP will send a letter on behalf of its Capital Markets signatories and Supply Chain members to a pre-selected sample of over 2,100 high-impact companies asking them to commit to and set 1.5°C-aligned Science-Based Targets. The Science Based Target Initiative 2021 Progress Report has shown that companies pursuing science-based targets are reducing emissions at a faster and more ambitious pace than the economy as a whole.[10]

Social Proposals

Merchant Category Code for Firearms Retailers

The Sponsoring systems sent letters and subsequently submitted proposals to **American Express** and **Mastercard** requesting that the Board of Directors disclose and explain their position regarding applications before the International Standards Organization, or ISO, to establish a merchant category code, or MCC, for standalone gun and ammunition stores, one of which was pending when the proposals were submitted in August 2022. The three Systems, jointly with CalSTRS, made a similar request in a letter to **Visa**, whose shareholder proposal submission deadline had passed. The three credit card companies reportedly opposed the creation of a Firearms MCC in the past when it was considered by the ISO.

Credit card companies use MCCs to classify businesses based on the goods and services they sell. Unique MCCs have been implemented for grocery stores, sporting goods stores, bicycle shops — but not for standalone gun and ammunition stores.

Because standalone gun and ammunition stores lack a dedicated MCC, suspicious high-dollar transactions at those merchants which, in conjunction with other purchasing activity, may be indicative of gun trafficking or other criminal activity sufficient to trigger the filing of a suspicious activity report go unreported to regulators and law enforcement.

For example, the Aurora movie theatre shooter in Colorado used a Mastercard issued by USAA to purchase $11,000 worth of weapons and military gear in the six-week period between May 22, 2012and July 6, 2012, including purchases at two standalone gun stores. One week before the mass shooting at the Pulse Nightclub, in which 49 people were killed and 50 injured, the shooter used a Mastercard (among others) to purchase more than $26,000 worth of guns and ammunition, including purchases at a stand-alone gun retailer.

Shortly after the shareholder proposals were submitted, and the credit card company did not act to block it, the ISO leadership approved an application to create a dedicated Firearms MCC. The companies, however, neither disclosed nor explained their position on any applications to create such an MCC for gun and ammunition stores, as requested by the shareholder proposal.

In response to the ISO's creation of the MCC, the credit card companies initially abandoned their previously reported opposition and publicly committed to implement the Firearms MCC across their payment networks. The proposal was withdrawn at American Express after the company committed to implement the newly created Firearms MCC, a commitment it later abandoned when all of the credit card companies did an about-face and "paused" their implementation following legislative action in some states to prohibit or limit its use. The State of California subsequently enacted legislation requiring that MCC's are made available for merchant acquirers that provide payment services for firearms merchants by July 1, 2024, and assigned to firearms merchants by May 1, 2025.

The Sponsoring Systems continue to engage credit card companies to urge that they proceed with implementation where it is legal.

Sponsoring Systems: NYCERS, TRS & BERS

Proxy Voting

During fiscal year 2023, the New York City Comptroller's Office voted on 16,552 shareholder meetings in 70 markets globally. This includes 3126 annual and special meetings for U.S. companies. In addition, the Systems voted against the election of 34.7% of directors in the U.S. market.

The following table provides an overview of the Systems' voting for the U.S. All meetings for which the Systems received ballots in this market were voted. Furthermore, out of this total, 2,368 meetings had at least one proposal on the meeting agenda that was voted against management, which accounts for 76 % of the total number of meetings.

Table 2: Summary of U.S. Meetings

Votable Meetings	3,126
Meetings Voted	3,126
Proxy Contests Voted	13
Meetings with Votes Against Management	2,368

The Systems' company-specific global voting decisions are publicly disclosed on the Comptroller's website. The site displays voting decisions within 24 to 48 hours of the votes being finalized and electronically submitted (i.e., in advance of the meeting at which the votes are officially cast via proxy.)

The following table provides a high-level overview of the Systems' fiscal 2023 proxy votes for the most common proposal categories for the U.S. market. The Systems voted in support of management for most routine business proposals, such as amending the bylaws of the company or changing the company name. The Systems voted against management on a majority of shareholder proposals, with shareholder proposals on executive compensation and those related to directors receiving the highest voting support.

Table 3: Summary of Fiscal 2023 U.S. Proxy Votes by Proposal Category

	Meetings	% Votes For	% Votes Against	% With Mgmt	% Against Mgmt
Management Proposals:					
Routine/Business (amending bylaws, ratifying auditors, changing company name, other business proposals, etc.)	2994	94.10%	5.4%	94.10%	5.4%
Director Related (elections of directors, declassifying the board, etc.)	3275	62.1%	15.4%	62.1%	37.4%
Capitalization (increase in authorized stock, approve issuance of shares, etc.)	244	68.0%	31.5%	68.0%	31.5%
Mergers	119	96.7%	2.6%	96.7%	2.6%
Compensation (say-on-pay, approving/amending stock plans, say-on-pay frequency, employee stock plans, etc.)	4852	43.8%	26.2%	71.1%	28.5%
Antitakeover Related (adjourn meetings, reduce supermajority vote requirements, provide right to call special meetings, etc.)	259	91.2%	8.1%	91.5%	7.7%
Amendment to Certification of Incorporation	15	0.00%	100%	0.00%	100%
Shareholder Proposals:					
Board related (require independent board chair, declassify board, require majority vote, , etc.):	100	85.0%	6.0%	7.0%	93.0%

	Meetings	% Votes For	% Votes Against	% With Mgmt	% Against Mgmt
Shareholder rights (call special meeting, reduce supermajority vote requirement, etc.)	64	95.3%	1.6%	7.8%	92.2%
Compensation related (submit severance agreements to shareholder vote, stock retention, etc.)	59	91.5%	8.5%	8.5%	91.5%
Social proposals (conduct human rights assessments, racial equity and/or civil rights audits, health and safety, animal welfare, etc.):	210	83.4%	14.9%	14.9%	86.0%
Environmental (report on climate change, GHG emissions, or environmental policies, etc.)	68	80.5%	19.5%	20.7%	79.2%

Acknowledgements

The Comptroller wishes to thank Michael Garland, Assistant Comptroller for Corporate Governance and Responsible Investment; Yumi Narita, Executive Director of Corporate Governance; Jennifer Conovitz, Special Counsel for Corporate Governance and Responsible Investment and Senior Advisor for ESG; Amna Khan, Corporate Governance Coordinator; Michelle Folder-Taylor, Senior Investment Analyst; Emily Law, Senior Investment Analyst; Andrew Elcock, Senior Investment Analyst; and Jenny Sologub, Special Assistant, for their contributions both to the authorship of this report and to the impactful work that it highlights.

Endnotes

[1] https://diversiq.com/eeo-1-webinar/

[2] https://justcapital.com/news/companies-disclosing-their-eeo-1-reports-saw-higher-2022-returns/#:~:text=To%20build%20the%20business%20and,7.9%25%20over%20the%20trailing%20one%2D

[3] Welsh, Heidi, "Assessing Anti-ESG Efforts in the 2023 Proxy Season," Sustainable Investments Institute, September 2023.

[4] https://corpgov.law.harvard.edu/2023/08/21/shareholder-rights-assessing-the-threat-environment/#:~:text=The%20assault%20on%20shareholder%20rights,(%E2%80%9CPARSPA%E2%80%9D)%20(H.R.

[5] See https://fingfx.thomsonreuters.com/gfx/legaldocs/gkplwylrbvb/frankel-nationalcentervsec--NAMmotion.pdf

[6] https://fortune.com/2022/04/22/what-makes-the-best-boards-different-fortune-modern-board-25/

[7] https://www.ohchr.org/sites/default/files/documents/publications/guidingprinciplesbusinesshr_en.pdf

[8] The U.S. Department of Labor reported a 69 % increase in findings of illegal child labor between 2018 and 2022; see https://www.dol.gov/newsroom/releases/osec/osec20230727

[9] Co-filed with the New York State Common Retirement Fund

[10] https://www.cdp.net/en/investor/engage-with-companies/cdp-science-based-targets-campaign

NEW YORK CITY COMPTROLLER
BRAD LANDER

1 Centre Street, New York, NY 10007

www.comptroller.nyc.gov

@NYCComptroller

(212) 669-3916