Remarks for Joy-Therése Williams,
Senior Advisor, Mantle314,
and
Chair, Decarbonization Advisory Panel
The New York State Common Retirement Fund,
to
The State of New York Senate Standing Committee on Finance.

- Madame Chair, Senators, committee members, thank you for the invitation to appear before you today.
- I have been asked to appear because of my role as the Chair of the voluntary, independent, Decarbonization Advisory Panel for the New York State Common Retirement Fund.
- The Panel was jointly convened by Governor Cuomo and Comptroller DiNapoli about a year ago. On behalf of the Panel, we commend the Fund, The Governor and the Comptroller for their leadership in this matter.
- Indeed, the Fund was already looking at the issue of climate change and incorporating it into their investment strategy … and their advocacy … when the Panel was formed.
- The Panel was given a broad and forward-looking charge to provide our expertise on "how the New York State Common Retirement Fund might

identify, assess and manage the investment risks and opportunities of climate change and prepare for a transition to a low-carbon economy."

- The Panel members' collective international expertise: in climate change, fiduciary duty, sustainability and investing, provided a rich diversity of perspectives.
- One of the Panel's key beliefs is that climate change is a phenomenon, not a discrete risk factor or even a set of risk factors.
- Simply put: Climate change will fundamentally change economic systems and thus has a material impact on investing.
- Therefore, the Panel believes there will be real and, potentially substantial, risks to the Fund's portfolio. And there will also be real, and potentially substantial, *opportunities* for the portfolio from climate change.
- The Panel concluded there is a business case for aligning the Fund's entire portfolio with a 2-degree or lower future by 2030.
- In order to align the portfolio, the Fund would need to invest in sustainable assets which we defined as: "investments, in any asset class, that are consistent with a 2-degree or lower future. Those assets may directly or indirectly work to help create that future or have a neutral effect on its development."

- This is an ambitious goal. How do you do this? This is where our recommendation on minimum standards is key.
- Minimum standards are criteria that: "define desired behaviors, achievements or positions relative to an established and specific standard." There would also be consequences for failure to meet those criteria.
- The Panel outlines a framework and examples of these in Exhibit A of the report.
- They can be flexible: applied to high priority sectors or asset classes or even a set of assets.
- They can be dynamic: different for each application and can change as the Fund receives new information about the transition and about the market response.
- The application of minimum standards towards the 100% sustainable assets has multiple advantages:
    - Minimum standards create a transparent platform that can be communicated externally because the Fund works primarily through external investment managers.
    - They are a vehicle to raise ambitions because the standards can be tightened and raised.

    - They also help the Fund stay informed and apply this knowledge to its investment decisions.

- Some of you may have noticed that divestment is not mentioned in our recommendations.
- If you apply minimum standards that work toward 100% sustainable assets then there will be assets that are unlikely to be held or bought.
- Divestment then becomes an outcome of an investment process not an investment strategy in and of itself.
- In conclusion, the Panel’s recommendations do not preclude divestment, but encourages sound investing criteria that are applied in a timely fashion and that are a part of … and complement … a larger strategy that looks at the entire climate issue and all the risks and opportunities to the fund.
- I would now be happy to answer any questions you may have.
- Thank you.