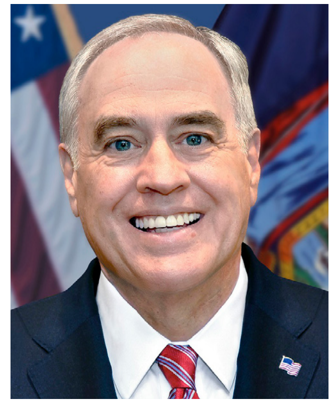
SEPTEMBER 2023

2022 CORPORATE GOVERNANCE STEWARDSHIP REPORT

NEW YORK STATE COMMON RETIREMENT FUND

OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

Message from the Comptroller



September 2023

In 2022, the New York State Common Retirement Fund continued its role of managing, investing and safeguarding the assets of the New York State and Local Retirement System on behalf of over one million State and local government employees, retirees, and their beneficiaries.

A significant aspect of safeguarding the Fund's investments is our engagement with the public companies in which we invest. Our focus is to encourage these companies to implement strong corporate governance practices and sustainable business strategies, which in turn reduce risks and better position companies to generate robust returns. Through our Corporate Governance Program, we actively engage with these companies, encouraging them to operate according to sound management principles that have been proven to foster long-term financial success. This includes integrating environmental, social, and governance (ESG) considerations into their business strategies. Our engagement efforts encompass a wide range of activities, such as voting on nearly 30,000 proxy measures annually, filing shareholder resolutions, writing letters, and directly discussing significant ESG matters with corporate directors and management.

Throughout 2022, we concentrated on key ESG themes: climate change and environment; labor and human capital management; diversity, equity and inclusion (DEI) and its economic impact; and fundamental governance and accountability. Our work led to positive outcomes like Amazon's agreement to conduct a racial equity audit and the Fund reaching agreements with 90 percent of the companies where we filed environment- and climate-related shareholder proposals. We firmly believe that this work is an important component of fostering the long-term sustainability of the Fund's investments.

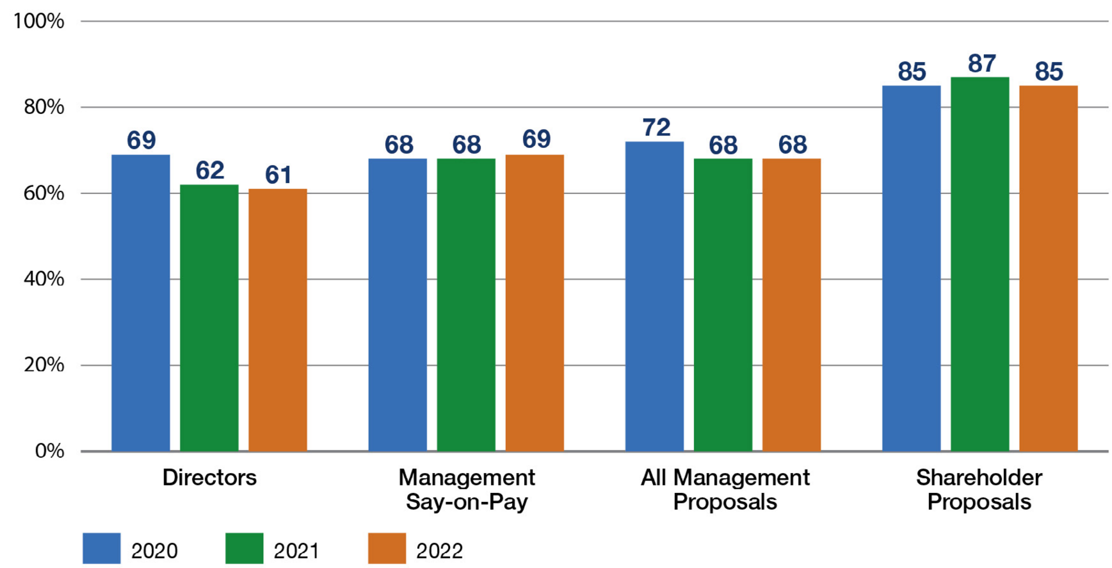
I am excited to share our 2022 Corporate Governance Stewardship Report, which outlines our corporate governance agenda and highlights our major initiatives and achievements.

Thomas P. DiNapoli
State Comptroller

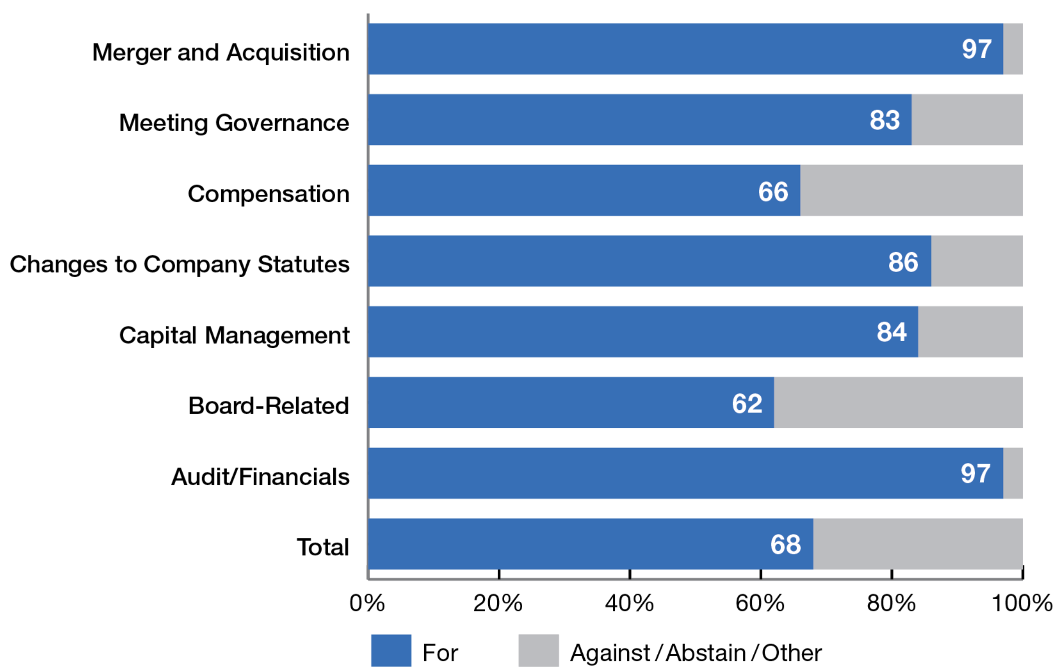
Contents

2022 Corporate Governance Stewardship Quick Facts

Fund Votes of Approval by Ballot Item Type

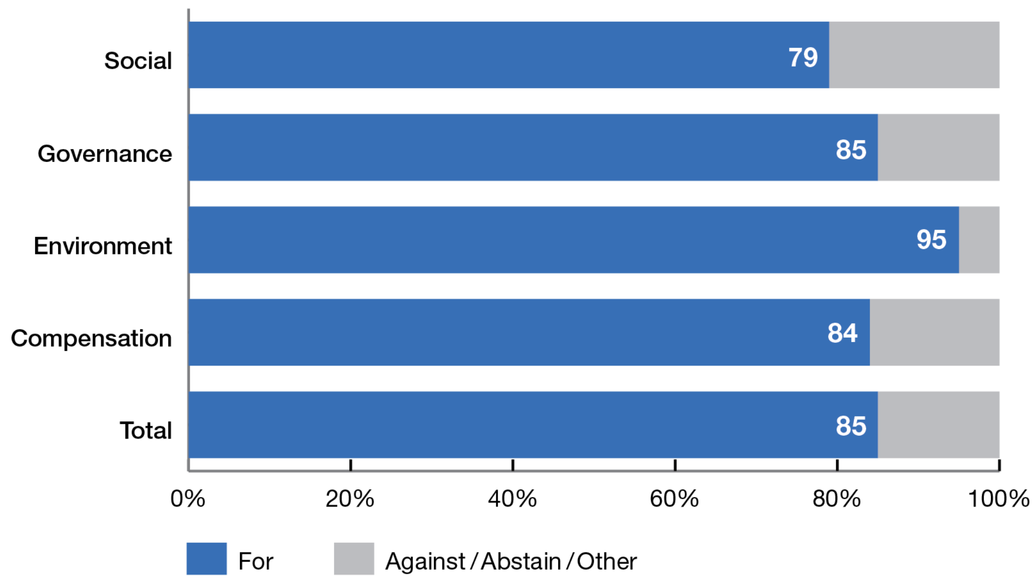


Fund Voting of Statistics on Management Proposals

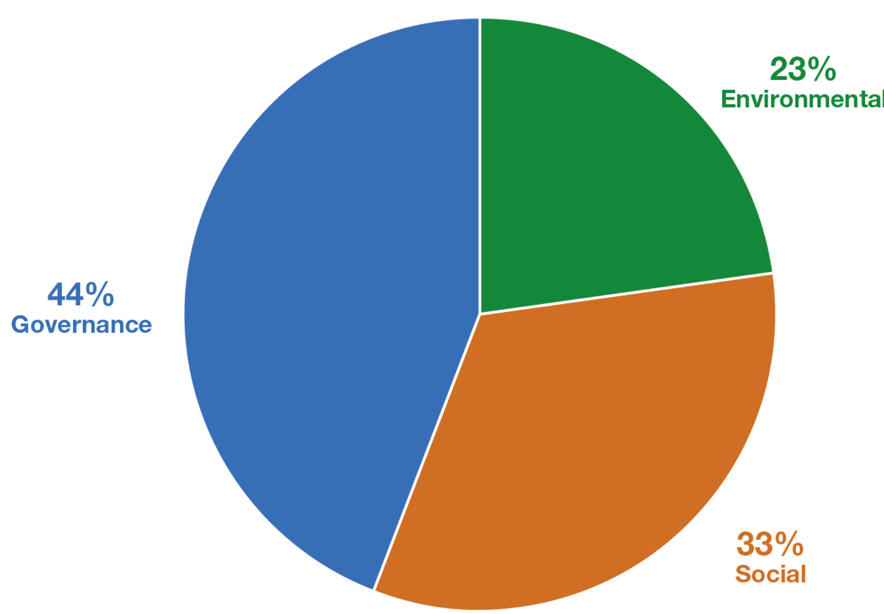


2022 Corporate Governance Stewardship Quick Facts

Fund Voting of Statistics on Shareholder Proposals



Shareholder Proposals Filed by Topic



Investment Philosophy & ESG Strategy

THE PRIMARY MISSION of the New York State Common Retirement Fund's (Fund) Corporate Governance Program is to mitigate risks, identify opportunities and integrate environmental, social and governance (ESG) factors into the Fund's investment and stewardship processes to enhance the long-term value of the investments made on behalf of the 1.2 million members and pensioners who rely on the New York State and Local Retirement System for their pensions.

> New York State Common Retirement Fund's
> **ESG Investment Philosophy**
>
> We consider environmental, social and governance factors in our investment process because they can influence both risks and returns.

The Fund is committed to actively communicating its ESG priorities and expectations to the market and the general public in an accountable and transparent manner. This report describes the Program's key initiatives for the Fund's public equity holdings, which made up approximately 43 percent of the total portfolio as of December 2022, along with discussing the outcomes of these efforts.

Public Equity Portfolio Companies – Principles, Practices, and Expectations

As a long-term owner that invests across all sectors of the economy, the Fund works to promote sound ESG practices at the companies in its public equity portfolio. At the center of the Fund's ESG investment philosophy is the belief that high-performing, diverse boards of directors, good governance, and prudent management of environmental and social factors provide the foundation for sustainable long-term company success.

Underlying all of the Fund's engagement activities is a commitment to active ownership: using the Fund's voice and votes to mitigate risks can support the long-term success of its portfolio investments. The Fund's public company engagement activities take various forms, including proxy voting, shareholder proposals, written correspondence, investor statements, press strategies and direct dialogue. These efforts have resulted in many important company actions, commitments and disclosures.

The Fund expects companies in its public equity portfolio to identify ESG-related risks and opportunities, and to integrate ESG considerations into their long-term business strategies. The Fund looks to companies' boards of directors to provide leadership and oversight of the management of ESG issues, policies and strategy. Additionally, companies should have strong internal leaders and senior management should drive ESG improvements. The Fund also expects companies to disclose their approach to addressing ESG risks and opportunities. The Fund expects all its portfolio companies to engage regularly with shareholders on ESG-related issues and to respect all shareholders' rights.

For more information on the Fund's ESG Strategy, please visit our website.

Proxy Voting

Proxy voting at company meetings is an effective means of engaging and communicating with boards of directors and management about the Fund's ESG priorities and can be a powerful tool for enhancing long-term value. The Fund's proxy voting is an important fiduciary obligation.

The Fund votes by proxy on all director nominees and proposals presented at annual meetings and special meetings for each of the domestic companies in the Fund's public equity portfolio, as well as those of selected non-U.S. companies. In the 2022 Proxy Season (calendar year 2022), the Fund cast 29,861 votes on ballot items at 3,355 portfolio company meetings.

The Fund makes all proxy voting decisions independently, based on the standards in its Environmental, Social & Governance Principles and Proxy Voting Guidelines (Guidelines). These describe in detail the Fund's governance expectations for public companies and establish principled recommendations for voting on a broad range of issues. In addition to the Guidelines, the Fund analyzes a variety of materials from publicly available sources, including but not limited to U.S. Securities and Exchange Commission (SEC) filings, analyst reports, relevant studies and materials from proponents and opponents of shareholder proposals, third-party independent perspectives and studies, and analyses from several corporate governance and ESG service providers.

The Guidelines are updated biennially to address new market issues, refine positions based on current research, and reflect evolving ESG best practices. In 2022, the Fund updated its guidelines, and updates included:

- incorporating the Fund's expectations for portfolio companies related to net-zero and alignment with the Paris Agreement goals;
- voting against all incumbent board nominees if there are no directors identifying as an underrepresented minority on the board;
- voting against all incumbent nominees currently serving on the nominating committee when a board does not have more than one director identifying as an underrepresented minority;
- voting against all incumbent nominees currently serving on the nominating committee at companies that do not disclose the self-identified individual racial/ethnic diversity of their board directors; and/or,
- voting against all incumbent nominees currently serving on the nominating committee at companies that have not listed both gender and racial/ethnic diversity as explicit considerations in their search for directors.

Engagements and Stewardship

The 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 that can contribute to the long-term success and sustainability of these companies. Engaging also assists the Fund in understanding a company's strategy and allows the Fund to communicate its views and expectations related to corporate governance and ESG issues.

In 2022, the Fund focused on both proxy season and off-season engagements. Direct dialogues with companies during proxy season allow the Fund to express its views on various ballot items, including board quality, executive compensation, and other ESG issues. During off-season engagements, the Fund discusses broader ESG and corporate issues with portfolio companies. Writing to portfolio companies, whether undertaken individually or in collaboration with other shareholders, is also an effective engagement tool that allows the Fund to communicate its views and request action on specific issues.

The Fund works informally to engage companies on issues or to promote sound public policies in cooperation with other investors and various organizations including:

- CDP (formerly known as the Carbon Disclosure Project)
- Center for Political Accountability
- CERES
- Climate Action 100+
- Council of Institutional Investors
- Farm Animal Investment Risk and Return (FAIRR)
- Human Capital Management Coalition
- Human Rights Alliance
- Interfaith Center on Corporate Responsibility
- Investor Coalition for Equal Voting
- Ownership Works
- Paris Aligned Investor Initiative
- Say-on-Pay Working Group
- Thirty Percent Coalition
- UN Principles for Responsible Investing

Shareholder Proposals

One form of engagement that the Fund routinely deploys, consistent with its investment philosophy, is filing shareholder proposals with public companies in its portfolio regarding ESG issues that can have a material impact on risk and return. The shareholder proposal process allows the Fund to bring recommended changes in corporate policy directly to the attention of the company's leadership and other shareholders and is an important tool for addressing investment risks.

ESG shareholder proposals can garner significant attention, high levels of shareholder support, and as a result, send a strong message to the board and management. When filing a shareholder proposal, the Fund seeks a productive dialogue with the company. This includes discussing the proposal with company officials, allowing the company to detail its work on a given issue, and negotiating how management can address the Fund's concerns. If the company and the Fund reach an agreement regarding the implementation of the proposal, the Fund withdraws the proposal.

For 2022, the Fund filed shareholder proposals with 43 companies. Of these, 31 led to agreements with the companies, and of the 12 proposals that went to a vote, two earned the support of a majority of shareholders and six received greater than 25 percent support from shareholders. The average level of support for Fund proposals that went to a vote was 32 percent. To see a full list of the Fund's 2022 shareholder proposals and outcomes, please see the Appendix.

Public Policy and Advocacy

Public policy and advocacy continue to be a focus of the Corporate Governance Program's strategy, employed when it may improve the long-term value of the Fund's investments. The Fund regularly supports policies and practices that promote the overall stability, transparency and functionality of financial markets and the economy.

The Fund's public policy advocacy takes many forms, including meetings and correspondence with elected representatives, regulators and other public officials, testimony at hearings and forums, comments on regulatory and legislative proposals, and participation in state, national, and international forums and initiatives.

In 2022, the Fund's primary public policy priorities included:

- encouraging the rollback of federal regulations that adversely impact shareholder rights;
- supporting mandated ESG disclosure for public companies; and
- encouraging comprehensive action by the federal government to address the risks and opportunities associated with climate change.

2022 Fund Governance-Related Public Policy Initiatives

Government Entity	Topic
U.S. Securities and Exchange Commission	Substantial Implementation, Duplication, and Resubmission of Shareholder Proposals Under Exchange Act Rule 14a-8
U.S. Securities and Exchange Commission	Letter To SEC Chair on Employee Disability Status Disclosure Requirements for Public Companies
Environmental Protection Agency	Standards of Performance for New, Reconstructed, and Modified Sources and Emissions Guidelines for Existing Sources: Oil and Natural Gas Sector Climate Review
U.S. Federal Communications Commission	Letter urging FCC to require public disclosure of EEO-1 data from the entities it regulates

2022 Stewardship Priorities

In implementing the Fund's ESG Strategy, the Corporate Governance Program determines specific priority areas each year. The Fund then uses its various active ownership strategies to engage with companies in addressing those issues. In 2022, the Corporate Governance Program's priority issue areas were: **climate change and environment; labor and human capital management; diversity, equity and inclusion (DEI) and its economic impact; and fundamental governance and accountability.**

The Fund's approach to these issues is discussed in greater detail within this report.

2022 Climate Change and Environmental Issues

Engagement is a critical component of the Fund's climate risk and opportunity analyses and includes both direct discussions with company management and filing of shareholder proposals. The Fund undertakes corporate engagements with high-climate-risk companies directly, and, on occasion, in collaboration with other investors as described above. The Fund's own direct engagements consist of writing letters to and meeting with management and company directors. The Fund also files shareholder resolutions to encourage changes in companies' strategies to address climate-related investment risks.

> To learn more about how the Fund is addressing climate change-related risk, please see the 2023 Progress Report on the New York State Common Retirement Fund's Climate Action Plan.

Proxy Voting

The Fund's proxy guidelines incorporate criteria used to evaluate each company's climate performance, including climate transition targets, strategies, capital expenditure alignment, and Task Force on Climate-related Financial Disclosures (TCFD). In 2022, the Fund withheld support from or voted against 462 individual directors at 59 portfolio companies that lacked robust climate risk management, including Berkshire Hathaway, Chevron Corporation, Phillips 66 and Conoco Phillips. In addition, in 2022 the Fund voted in support of 95 percent of environment-related shareholder proposals.

Engagements and Stewardship

In December 2020, Comptroller DiNapoli announced he would be building on the Fund's 2019 Climate Action Plan to establish a goal of transitioning the Fund's portfolio to net-zero greenhouse gas (GHG) emissions by 2040. Engaging with the Fund's portfolio companies is a critical component of this work.

In 2022, the Fund expanded its engagements with portfolio companies across high-impact climate sectors, including those engaged in the following industries: oil and gas production, coal mining, electric and natural gas utilities, automobile manufacturing, banking, food, materials, and real estate. The Fund urges these companies to establish net-zero transition strategies, develop strategic capital expenditures (CAPEX) planning, and adopt GHG reduction targets and TCFD reporting.

> “Companies are contributing to building a lower-carbon economy and are recognizing their responsibility to be responsive to shareholders’ concerns about the risks posed by climate change.”
>
> **– Comptroller DiNapoli**

In addition, the Fund has committed to reviewing energy sector companies, using minimum standards to assess transition readiness and climate-related investment risk, and, where consistent with fiduciary duty, divesting from companies that fail to meet minimum standards. In 2022, this work resulted in divestment from 21 shale oil and gas producing companies that failed to demonstrate preparedness for the transition to a low-carbon economy, including Pioneer Natural Resources, Hess, and Chesapeake Energy. As a next step, Comptroller DiNapoli announced in August of 2022, that the Fund is evaluating 28 publicly traded integrated oil and gas companies to determine if they are prepared for the transition to a low-carbon economy.

Shareholder Proposals

In 2022, the Fund reached agreements with 90 percent of the portfolio companies where it had filed environment- and climate-related shareholder proposals. These successful engagements included:

- new environmental justice proposals asking global chemical companies Chemours and 3M to identify and reduce their negative impact on the environment and health in low-income communities and communities of color. Both companies have agreed to expand their reporting around environmental justice;
- agreements with Carnival Corporation, Antero Midstream Corporation, Eastman Chemical Company, Eversource Energy, and Vulcan Materials related to setting GHG reduction targets;
- a new shareholder proposal pioneered by the Fund and Impax Asset Management filed at The J.M. Smucker Company, which led to the company committing to publishing periodic reports that detail what steps the company has taken to address the risks their physical operations and facilities face from rising sea levels, flooding and other climate change impacts; and
- an agreement with Duke Energy Corporation seeking a report assessing how the expected reduction in use of fossil fuels will impact its business in light of the International Energy Agency’s (IEA) Net Zero Emissions (NZE) by 2050 scenario, which estimates a 55 percent drop in natural gas demand from 2020 levels.

Moving forward, the Fund will continue to engage and use its voice and vote to encourage and support efforts in climate risk management, strategic planning, and reporting by portfolio companies to help them achieve a successful transition to the low-carbon economy, which is integral to long-term value creation for shareholders.

2022 DEI, Human Capital Management, Labor Relations and Other Social Factors

Proxy Voting

As long-term investors, the Fund believes that a company's value is intrinsically linked to its relationships with various stakeholders, such as its employees, customers, suppliers, creditors, regulatory agencies and the communities in which the company operates and conducts business. Effective board oversight of these key relationships, along with the risks and opportunities associated with them, is an important board function and accountability concern.

The Fund believes that human capital management best practices prioritize the protection of the health, safety, and rights of employees in a company's workforce and in its supply chain. Implementing human capital management best practices can create an engaged and stable workforce that in turn can provide a competitive advantage for companies. Such best practices should include a commitment to diversity and inclusion; gender equality; employee development; and providing a workplace free of harassment. These practices should strive to prevent discrimination, harassment and violence based on race, color, religion, national origin, age, sex, disability, sexual orientation, gender identity or expression, marital status, or any other class or status protected by laws or regulations in areas of a company's operation. Boards and management must play an active role in setting high standards for human capital management and establishing a company culture that values and protects its workforce.

In 2022, the fund voted in support of 79 percent of shareholder proposals in the social category, including proposals asking Denny's Corp. and Dine Brands Global Inc. to report to shareholders on the feasibility of increasing starting wages for tipped workers and proposals at Tesla, Inc., seeking a policy on freedom of association and a report on the impact of mandatory arbitration policies.

Engagements and Stewardship

With changing labor trends related to the pandemic and ongoing recovery, the Fund has continued to focus on the growing labor movement, workers' efforts to unionize, and the demand for higher wages and benefits. Because the ability to establish and maintain constructive relationships with their workers is a hallmark of companies with sustainable and profitable long-term strategies, many will need to rethink their approaches to their workforces, which could lead to improved pay, benefits and working conditions.

In 2022, the Fund engaged numerous companies regarding labor-related disputes, strikes, or questionable labor practices, including:

- **Union Pacific Corp., Norfolk Southern Corp., CSX Corp. and Berkshire Hathaway** — Urged the railroad companies to work diligently with two union coalitions towards a settlement of the labor dispute on terms fair to both labor and management and encouraged a productive relationship with its employees for the benefit of the companies and shareholders.
- **Gannett Co., Inc.** — Encouraged the company to adopt a human rights policy that should also address the company's commitment to respect the rights to freedom of association and collective bargaining in its operations.
- **Wells Fargo Company** — Wrote the company regarding reports of discriminatory lending and employment practices. Requested Wells Fargo take steps to address these concerns, including conducting an independent racial equity audit.

Another initiative in 2022 resulted in Comptroller DiNapoli writing to the four companies responsible for the largest share of baby formula sales in the U.S. The letters to Abbott Laboratories, Nestlé S.A., Reckitt Benckiser Group PLC, and Danone S.A. requested more information about how the companies planned to address baby formula shortages. The letters asked what steps the companies would take to ensure that a similar situation would not happen again in the future and how the companies planned to mitigate the potential reputational risks arising from the issue, that could affect long-term value.

Focus on Amazon.com, Inc.

During 2022, the Fund engaged with Amazon on numerous issues, including workforce and labor concerns and racial equity. As one of the Fund's largest public equity holdings, it is vital for Amazon to address risks that may jeopardize its long-term value for shareholders. Engagements with Amazon in 2022 included the following actions:

- The Fund refiled its racial equity audit shareholder proposal at Amazon requesting an independent review of the company's policies and practices on civil rights, equity, diversity and inclusion, and how they affect the company's business. In 2021, the proposal was supported by 44 percent of the company's shareholders. In April 2022, Amazon agreed to conduct and publicly release an independent racial equity audit, led by former U.S. Attorney General Loretta Lynch, that will look into "disparate racial impacts" from its employment practices on its hourly workers. The Fund continues to engage with Amazon on the progress of the audit.
- In January, Comptroller DiNapoli wrote a letter to CEO Andy Jassy, Executive Board Chair Jeff Bezos, and other board members urging Amazon to adopt a "policy of neutrality," under which Amazon would not interfere with an employee's right to associate and would also recognize that all workers are free to form or join a trade union of their choice. The letter also asked Amazon how the company was measuring the effectiveness of implementing its Human Rights Principles following allegations that the company was failing to uphold its commitment to freedom of association. This letter was a follow-up to a 2021 letter where the Comptroller asked similar questions. Amazon failed to respond to both letters.
- In March 2022, Comptroller DiNapoli joined New York City Comptroller Lander and other investors in writing Amazon's Leadership Development and Compensation Committee seeking a meeting to discuss how Amazon's board exercises oversight of the company's human capital management practices and how it is measuring management's performance with respect to these issues. Amazon directors declined to meet.
- In April, Comptroller DiNapoli joined New York City Comptroller Lander to launch a campaign urging Amazon shareholders to vote against the re-election of two Amazon board directors responsible for human capital management. Outside shareholders voted an estimated 27 percent of their shares against Director Judith McGrath, chair of the Leadership Development and Compensation Committee.

Shareholder Proposals

Companies face increased risks when their corporate policies, practices, products or services are, or are perceived to be, discriminatory, racist, or adding to racial inequities. By contrast, research shows companies that foster diversity are more likely to outperform their less diverse peers, and companies that develop a culture of inclusion, equity and belonging are better positioned to drive long-term value for shareholders. In 2022, the Fund continued to press publicly traded corporations and their top executives to be transparent about and accountable for their DEI policies and practices.

> “Corporate America must foster and protect racial and gender equity in the workplace, in company policies and in how it interacts with customers. When companies fall short and fail to address inequities, they put themselves and their shareholder value at risk. We’re seeing more and more companies do the right thing and make real progress on diversity, equity and inclusion, but there’s so much more work to do.”
>
> **– Comptroller DiNapoli**

Disclosure of federally filed Equal Employment Opportunity (EEO-1) data helps investors assess their portfolio companies’ commitments to greater racial inclusion, not just each year, but over time by comparing how the proportion of Black women, for example, has changed in a given job category from one year to another. The Fund filed shareholder proposals seeking public disclosure of companies’ EEO-1 data and reached agreements with The Kroger Company and Zoom Video Communications, Inc., to disclose their EEO-1 reports detailing the race, ethnicity, and gender of their workforce, including senior management.

During the 2022 proxy season, the Fund filed proposals at Take-Two Interactive Software, Inc., Electronic Arts Inc., Monster Beverage Corporation and HCA Healthcare, Inc., seeking reporting on the outcome of each company’s diversity, equity, and inclusion efforts in its human capital management strategy, by providing comprehensive quantitative metrics and data on progress toward its goals. Agreements were reached with all four companies.

The Fund filed five shareholder proposals requesting racial equity audits examining each company’s impacts on civil rights, equity, diversity and inclusion, as well as the impacts of those issues on each company’s business. In addition to the successful agreement with Amazon discussed above, the Fund reached successful agreements with three other companies (for a total of four): Dollar Tree, Inc., Dollar General Corporation and Match Group, Inc. The fifth proposal at Chipotle Mexican Grill, Inc. was supported by 36 percent of the company’s shareholders.

Shareholder proposals at Activision Blizzard, Inc., Tesla, Inc., and Starbucks Corporation garnered significant shareholder support with 67 percent, 47 percent and 32 percent support, respectively. The proposals requested that the companies prepare an annual report describing and quantifying the effectiveness and outcomes of each company’s efforts to prevent abuse, harassment and discrimination against protected classes of employees, as well as disclosing progress on relevant metrics and targets.

2022 Governance Issues

Proxy Voting

Voting on director nominees is a key tool that provides the most direct means for shareholders to hold companies accountable. The Fund believes its interests are best served by directors who demonstrate a commitment to sustainable long-term performance and responsible corporate governance.

The Fund withheld support from 38 percent of management board of director nominees, compared to 36 percent in 2021 and 31 percent in 2020. The increase was primarily due to the Fund's voting policies, which strongly support increased board diversity and expectations related to net-zero and alignment with the Paris Agreement goals.

The Fund most frequently withheld support for directors due to:

- lack of board diversity, including gender, race, and/or ethnicity;
- ongoing compensation concerns and poor pay-for-performance policies;
- insufficient board and committee independence;
- overboarded directors (i.e., directors who sit on too many different boards to fulfill their duties effectively); and
- governance concerns following an initial public offering (IPO), such as the institution of supermajority vote requirements for bylaw or charter amendments, and classified board structures that could insulate management from accountability to shareholders.

Additionally, the Fund regularly monitors risk management practices at portfolio companies. When a company's board fails to appropriately manage material risks, the Fund will withhold support from directors. The following table details examples of where the Fund voted against management's director nominees in 2022.

Selected Examples Where the Fund Withheld Support from Management Recommendations in 2022

Company Name	Concern	Fund Vote
Amazon.com, Inc.	Failure to disclose the racial/ethnic diversity of directors on an individual basis and significant concerns regarding the lack of oversight by the board of workforce issues.	Voted against five incumbent directors.
General Electric Company	Ongoing concerns regarding compensation practices including inadequate disclosure of performance goals.	Voted against four incumbent directors.
Starbucks Corporation	Ongoing concerns regarding the lack of oversight and failure to uphold corporate policies regarding labor management.	Voted against four incumbent directors.

The Fund has long regarded board diversity as a critical measure of sound corporate governance and important to the long-term success of its portfolio companies and has a multi-year history of voting against boards that lack gender diversity.

The Fund has continued to implement its gender board diversity voting guidelines, which were initially adopted in 2018. In addition, in 2021 the Fund expanded its voting position against boards at companies that lacked a director identifying as an underrepresented minority. Because the Fund recognizes that diversity can have an important impact on companies' long-term success and, in turn, on the Fund's investments, the Fund's Guidelines direct withholding support for:

- incumbent directors of public companies with no women on their boards;
- incumbent nominating committee members when the board lacks appropriate skills and attributes, including when there is only one woman on the board;
- directors at companies that do not disclose the racial/ethnic diversity of directors on an individual basis;
- directors at companies that do not disclose that the board expressly considers both gender and race/ethnicity diversity in director search processes;
- directors at companies with only one board director who identifies as an underrepresented minority; and
- directors at companies with no board director who identifies as an underrepresented minority.

Shareholder votes on executive compensation—"say-on-pay" votes—promote pay accountability by allowing shareholders to review and influence compensation practices and strategies. The Fund believes that to help protect its investments, executive compensation policies should reflect a focus on ensuring long-term, sustained performance for the company and its shareholders.

In the 2022 Guideline update, the Fund further elaborated on its views on assessing executive compensation plans to reflect evolving best practices and market trends, including enhanced expectations regarding "say on pay," equity ownership guidelines, clawback provisions, ESG metrics in compensation plans, and compensation adjustments due to adverse ESG-related events. The amended Guidelines also included updates regarding the Fund's views on equity compensation plans. In implementing its guidelines in 2022, the Fund continued to focus on: reviewing the overall structure and disclosure of executive compensation plans; CEO pay compared to a company's self-disclosed peer-group; internal pay disparities and disconnect between pay and performance.

As a result, the Fund voted to withhold support from 31 percent of the proposed compensation plans presented in say-on-pay advisory ballot items in 2022. This compares to 32 percent in both 2021 and 2020. The Fund found, among other issues, pay disparity concerns, disconnects between pay and performance, and excessive pay relative to peer benchmarks at these companies. When these practices were not in the long-term interests of the Fund as a shareholder, the Fund voted against them. The following tables summarize the Fund's voting on executive compensation matters in 2022 and key votes against company say-on-pay.

2022 Fund Voting on Executive Compensation by Issue

Executive Compensation Ballot Issue	Total Number of Votes	Total Votes Against Management	Percent of Votes Against Management
Say-on-Pay	2,370	733	31%
Adoption of New Equity Plan	203	28	14%
Change to Equity Plan	364	71	20%
Total	**2,937**	**832**	**28%**

2022 Key Votes Against Company Say-on-Pay

Company	Concern
Apple Inc.	Magnitude, design and inadequate disclosure regarding equity award to CEO
Yum! Brands, Inc.	Increased CEO pay, plan structure and one-time pay awards
Wells Fargo	Ongoing issues regarding discretion in determining executive pay and lack of disclosure
Carnival Corporation	Misalignment between pay and performance and lack of disclosure
Intel Corporation	Limited responsiveness to prior year failed say-on-pay vote and continuing misalignment between pay and performance
Walmart Inc.	Misalignment between pay and performance

Over the course of the 2022 proxy season, the Fund voted in opposition to management recommendations on 32 percent of all ballot items, which included 31 percent of management proposals and 87 percent of shareholder proposals.

For specific ballot items, the Fund voted in opposition to management recommendations on:

- 28 percent of compensation-related items, including say-on-pay;
- 38 percent of board-related items, including election of directors;
- 13 percent of capital management and allocation items; and
- 2 percent of audit/financial items, including ratification of auditor.

In general, the Fund voted in support of 85 percent of governance-related shareholder proposals and 84 percent of compensation-related shareholder proposals.

Engagements and Stewardship

In February 2022, in the wake of newly released platform rules regarding content moderation, Comptroller DiNapoli wrote to Spotify asking the company to commit to publishing a report on the efficacy of its new rules and content policies. Spotify instituted the new rules and policies in response to backlash over the streaming service hosting content that has included misinformation about the COVID-19 pandemic, as well as antisemitic and racist content. In addition, the letter requested that Spotify provide a user-friendly mechanism for its subscribers to report questionable content and clearly define board of director oversight of content management risks and enforcement policies.

In May 2022, Comptroller DiNapoli sent letters to Twitter Inc. and Meta Platforms Inc. in the aftermath of the mass shooting in Buffalo, NY citing the companies' failure to enforce their own standards against harmful content. The letters were sent in advance of the companies' annual meetings and indicated that until the boards could demonstrate an ability to successfully oversee content management policies, the Fund would continue to vote against directors and encourage other investors to do the same.

Shareholder Proposals

Since the 2010 U.S. Supreme Court's Citizens United ruling striking down certain restraints on corporate political spending, the Fund has prioritized engagements with portfolio companies about political spending disclosure. The proposals filed by the Fund ask companies for comprehensive and public reports that list their corporate spending on candidates, political parties, ballot measures, any direct or indirect state and federal lobbying, payments to any trade associations used for political purposes, and payments made to any organization that writes and endorses model legislation.

> "The increased polarization of our political discourse and the January 6 attack on the Capitol show just how risky it can be for companies to fund political agendas. Corporate accountability is a priority for our pension fund and, since the Citizens United ruling, we have focused on increasing sunlight on political spending. In the current climate, with our democracy itself under attack, corporations have to question whether any spending on political causes is in shareholders' interests."
>
> **– Comptroller DiNapoli**

The Fund's shareholder proposal at Twitter, Inc., seeking a public report disclosing the Company's direct and indirect political spending was supported by 53 percent of the company's shareholders. In 2022, the Fund filed shareholder proposals at seven additional companies seeking the same reporting and reached agreement to disclose the requested information with six of those companies, including Las Vegas Sands Corporation, VeriSign, Inc., Hanesbrands Inc., Royal Caribbean Cruises Ltd., The Progressive Corporation and Ulta Beauty, Inc.

The Fund also filed a shareholder proposal at Meta asking the board to initiate and adopt a recapitalization plan to eliminate its dual class voting structure and provide one vote per share for all outstanding stock. The proposal was supported by a majority of unaffiliated shareholders.

In 2022, the Fund successfully negotiated agreements with First Community Bankshares Inc. and Vicor Corporation to address the lack of diversity on their boards and detail board strategies to better reflect the diversity of the companies' workforce, community and customers. In addition, the companies agreed to enhance disclosure regarding board diversity. The same proposal at First Community Bankshares received support from 71 percent of investors in 2021.

The Fund also secured agreements with several companies on executive share retention during the 2022 proxy season including Hilton Worldwide Holdings Inc., General Electric Company, Kohl's Corporation and QUALCOMM, Inc.

Appendix: 2022 Shareholder Proposals

Company	Issue	Result
Vicor Corporation	Board Diversity	Withdrawn with Agreement
First Community Bankshares, Inc.	Board Diversity	Withdrawn with Agreement
Meta Platforms, Inc.	Change in Stockholder Voting (one share-one vote)	28 Percent in Favor
Duke Energy Corporation	Climate Accounting	Withdrawn with Agreement
Alphabet Inc.	Climate Change Physical Risks Reporting	18 Percent in Favor
The J.M. Smucker Company	Climate Change Physical Risks Reporting	Withdrawn with Agreement
Wells Fargo & Company	Compensation Incentives Reporting	24 Percent in Favor
Activision Blizzard, Inc.	Discrimination and Sexual Harassment Disclosure	67 Percent in Favor
Tesla, Inc.	Discrimination and Sexual Harassment Disclosure	47 Percent in Favor
Starbucks	Discrimination and Sexual Harassment Disclosure	32 Percent in Favor
Take-Two Interactive Software, Inc.	Diversity, Equity and Inclusion Reporting	Withdrawn with Agreement
Electronic Arts, Inc.	Diversity, Equity and Inclusion Reporting	Withdrawn with Agreement
Monster Beverage Corporation	Diversity, Equity and Inclusion Reporting	Withdrawn with Agreement
HCA Healthcare, Inc.	Diversity, Equity and Inclusion Reporting	Withdrawn with Agreement
The Kroger Company	EEO-1 Reporting	Withdrawn with Agreement
Zoom Video Communications, Inc.	EEO-1 Reporting	Withdrawn with Agreement
3M Company	Environmental Justice Reporting	Withdrawn with Agreement
The Chemours Company	Environmental Justice Reporting	Withdrawn with Agreement
Antero Midstream Corporation	GHG Reduction Targets	Withdrawn with Agreement
Carnival Corporation	GHG Reduction Targets	Withdrawn with Agreement
Eastman Chemical Company	GHG Reduction Targets	Withdrawn with Agreement
Eversource Energy	GHG Reduction Targets	Withdrawn with Agreement

Appendix: 2022 Shareholder Proposals

Company	Issue	Result
Vulcan Materials Company	GHG Reduction Targets	Withdrawn with Agreement
Charter Communications, Inc.	Independent Chair	27 Percent in Favor
Twitter, Inc.	Political Spending Disclosure	53 Percent in Favor
DISH Network Corporation	Political Spending Disclosure	4 Percent in Favor
Las Vegas Sands Corporation	Political Spending Disclosure	Withdrawn with Agreement
VeriSign, Inc.	Political Spending Disclosure	Withdrawn with Agreement
Hanesbrands, Inc.	Political Spending Disclosure	Withdrawn with Agreement
Royal Caribbean Cruises Ltd.	Political Spending Disclosure	Withdrawn with Agreement
The Progressive Corporation	Political Spending Disclosure	Withdrawn with Agreement
Ulta Beauty, Inc.	Political Spending Disclosure	Withdrawn with Agreement
Chipotle Mexican Grill, Inc.	Racial Equity Audit	36 Percent in Favor
Dollar Tree, Inc.	Racial Equity Audit	Withdrawn with Agreement
Amazon.com, Inc.	Racial Equity Audit	Withdrawn with Agreement
Dollar General Corporation	Racial Equity Audit	Withdrawn with Agreement
Match Group, Inc.	Racial Equity Audit	Withdrawn with Agreement
Park Hotels & Resorts	Share Buybacks and Share Retention	28 Percent in Favor
Norwegian Cruise Line Holdings Ltd.	Share Buybacks and Share Retention	24 Percent in Favor
Hilton Worldwide Holdings, Inc.	Share Buybacks and Share Retention	Withdrawn with Agreement
General Electric Company	Share Buybacks and Share Retention	Withdrawn with Agreement
Kohl’s Corporation	Share Buybacks and Share Retention	Withdrawn with Agreement
QUALCOMM, Inc.	Share Buybacks and Share Retention	Withdrawn with Agreement

Contact

Office of the New York State Comptroller
110 State Street, 15th Floor
Albany, New York 12236

(518) 474-4015

www.osc.ny.gov

Prepared by the Bureau of Corporate Governance
New York State Common Retirement Fund

To contact the Fund's Corporate Governance Program
please email CorpGov@osc.ny.gov.