Climate Action Plan Bulletin

Fall 2022

In 2018, the New Jersey State Investment Council (SIC) formally adopted its Environmental, Social, and Governance (ESG) Policy which, among other things, laid the foundation to address the growing risks from climate change and the ongoing transition to renewable energy. Since then, the Division has taken numerous steps to measure and manage these issues across its portfolios.

In 2019, the SIC adopted a new Proxy Voting Policy that supports environmental proposals that enhance long-term shareholder value. With a focus on financial materiality the Division generally supports resolutions that improve corporate disclosure and accountability with respect to financial, physical, or regulatory risks related to climate change. According to data provided by ISS, in Fiscal Year 2022 the Division voted in favor of 53 out of 63 environmental-related shareholder proposals for a support rate of 84%.

Last year, the Division of Investment presented Principles and Practices Regarding Climate Change to the SIC as a framework to manage climate-related risks and opportunities.

Throughout Fiscal Year 2022 the Division continued its corporate engagement activities, filing 10 shareholder proposals covering issues such as: board oversight of environmental-related risk; scopes 1-3 greenhouse gas (GHG) emissions; and short-, medium, and long-term GHG emissions reduction targets. Staff negotiated with all 10 companies and were able to obtain specific agreements with 9 of the 10 to address environmental risks and other related issues in exchange for the Division's withdrawal of the respective shareholder proposals.

Per the Division's Climate Action Plan, the Climate Change Practice Group (CCPG), led by the Sustainable Investing Portfolio Manager, has been developing and begun to implement a Minimum Standards Review framework. This includes a process the Division can employ to help mitigate climate-related investment risk, specifically with respect to companies that 1) are inadequately prepared to manage the transition to a low carbon economy, and 2) have significant potential for stranded asset risk. The Minimum Standards Review framework helps the Division identify, measure, manage, and monitor those investments it believes pose the greatest relative and absolute risk from climate change. With support from its consultant, Division staff recently completed the screening of its public markets coal exposure and will analyze its holdings and present recommendations to the CCPG in the coming months.

The Division also finds attractive opportunities to invest in the energy transition and has committed meaningful capital across its private equity and real asset allocations. These thematic investments undergo thorough due diligence and meet strict risk and return requirements as part of their consideration. To date, the Division has over $900 million committed to or invested in climate-related opportunities across such funds as TPG Rise, TPG Rise II, TPG Rise Climate, Stonepeak Renewables Fund, and Brookfield Global Transition Fund. The Division continues to review such investment opportunities consistent with its fiduciary duty.