



**Battery Park  
City Authority**

# **Battery Park City Authority**

## **Net-Zero 2040 Investment Portfolio Action Plan**

**August 2022**

# Introduction

- This strategy was prepared in response to the New York State directive that State Authorities deliver an action plan toward a 2040 net-zero investment portfolio.
- Battery Park City Authority (“BPCA”) has been proactive in environmental, social, and governance (“ESG”) considerations and currently prohibits investment in companies that are heavily reliant on fossil fuels.
- This action plan was prepared in conjunction with BPCA’s investment advisors, PFM Asset Management LLC (“PFMAM”) and Ramirez Asset Management, Inc. (“RAM”) and it was presented to the BPCA Board Investment Committee. The plan includes:
  - Overview and description of the BPCA investment portfolio
  - Short- and long-term net-zero milestones, as well as metrics and targets to evaluate progress toward carbon neutrality
  - Framework and tools to evaluate portfolio investments and to inform strategy
  - Approach to engagement and advocacy with our portfolio entities, which may be in conjunction with other Authorities, to encourage emissions reduction and good governance
  - Strategies for evolving BPCA’s portfolio construction
  - The current committees, teams, or individuals at BPCA who will be responsible for oversight of the plan

# Overview of BPCA's Aggregate Portfolio

## Overview & Description of Investment Portfolio

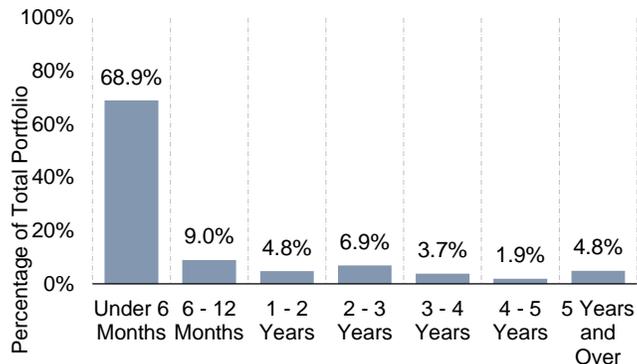
### Strategy Overview

- The aggregate portfolio includes operating accounts, capital, reserves and special purpose, and bond proceed portfolios
- BPCA follows its investment guidelines that are subject to Section 98 of NYS Finance Law
- BPCA investments are restricted to a limited investment universe given the parameters defined in state code.
- Portfolios maintain the highest credit quality, with U.S. Treasuries accounting for 93% of the aggregate portfolio as of June 30, 2022
- The portfolio is highly liquid with greater than 75% of investments maturing in less than 1 year

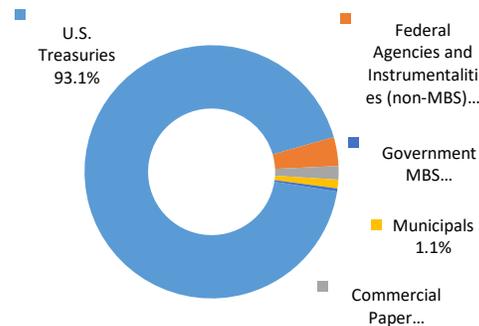
### Portfolio Statistics

Portfolio Market Value	\$456,646,921
Average Duration	0.96 Years

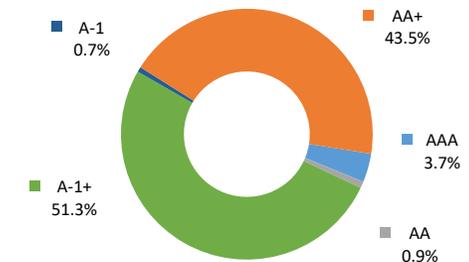
### Maturity Distribution



### Sector Allocation



### Credit Quality Distribution (S&P)



#### Notes:

1. Portfolio data as of June 30, 2022.
2. Government MBS includes Freddie Mac, Fannie Mae, Ginnie Mae, and Small Business Administration MBS.
3. NR holdings are not rated by S&P but rated by Moody's and are in compliance with BPCA's Investment Policy.

# Strategy – Milestones, Metrics & Targets

## Metrics and targets to evaluate progress toward carbon neutrality

- **BPCA seeks to achieve the investment objectives contained within its Investment Guidelines – legality, safety, liquidity, and return – while investing with a focus on environmental, social and governance principles.**
  
- **Short-Term Milestones & Targets (Next 6-12 months)**
  - Identify current investment allocation to sustainable investments and establish an Authority baseline
  - Prioritize allocation to approved corporate issuers that have made net-zero carbon pledges
  - For the Municipal sector, identify issuers that finance green, sustainable, and/or environmental projects
  - Continue allocation to Supranational investments; identify designated green and sustainable bonds issued by Supranational issuers
  
- **Establish Intermediate-Term Milestones & Targets (Next 12-60 Months)**
  - Measure and evaluate the performance of approved net-zero issuers based on:
    - Total carbon emissions
    - Carbon emissions intensity
    - Progress toward limiting impact on increasing temperatures in accordance with Paris Agreement
    - Newly available data and issuer reporting standards
  - Measure portfolio performance quarterly relative to the Authority's initial baseline
  
- **Long-Term Milestones & Targets (Next 60 Months+)**
  - Continue to monitor issuer and portfolio level progress toward the Authority's net-zero objective by measuring approved issuer emissions, emissions intensity, and impact on temperature rise
  - Set total carbon emissions, carbon intensity, and/or other targets for approved issuers
  - Set actual dates for milestones and target goals
  - Expand monitoring of other fixed-income sectors (U.S. Treasuries, Supranationals, Federal Agencies and Municipals) as carbon data becomes available

# Credit Issuers Satisfying BPCA Standards

## Metrics and targets to evaluate net-zero progress

- BPCA investment advisors have identified a list of credit issuers that meet the BPCA investment policy standards (“IPS”) and net-zero initiative objectives, as outlined below:
  1. Obligations of any issuers organized under the laws of any state in the United States (current IPS)
  2. Highest rating of two independent nationally recognized statistical rating organizations (current IPS)
  3. Public declaration of commitments to net-zero initiatives
- A number of the identified issuers are not highly-active and may not fulfill investment characteristics compatible with specific BPCA portfolios
- The investment advisors have also identified municipal and supranational issuers who meet the current IPS and may also be compatible with the BPCA net-zero objectives

# Current Net-Zero Industry Resources

## Framework & tools to evaluate portfolio investments and inform strategy

- Although industry data is not uniform, BPCA has targeted several potential frameworks for evaluating portfolio carbon exposures:

<b>Total Carbon Emissions (tCO<sub>2</sub> emissions)</b>	<b>Carbon Intensity (emissions/\$MM revenue)</b>	<b>Current Temperature Alignment</b>	<b>Alignment Gap 2C (tCO<sub>2</sub> emissions)</b>
<ul style="list-style-type: none"><li>➤ Includes Scope 1, 2, &amp; 3 Greenhouse gasses</li><li>➤ Measures all emissions owned or controlled by the company, as well as emissions that are a consequence of the company's activities</li></ul>	<ul style="list-style-type: none"><li>➤ Analyzes the company's total emissions relative to company revenue</li></ul>	<ul style="list-style-type: none"><li>➤ Summarizes the scenario alignment of global temperature increase based on the company's emissions</li></ul>	<ul style="list-style-type: none"><li>➤ Measures the total amount of greenhouse gases (in tons of carbon emissions) over/under the company is projected to be from meeting the goals of the Paris Agreement</li></ul>

- Carbon emissions data and temperature alignment performance will be sourced from third-party resources.
  - Data collected by third-party resources will be based on company disclosures and estimates, as needed
  - Paris temperature alignment performance will be based on proprietary models developed and updated by third-party resources
- Company level emissions may be disclosed in accordance with the TCFD framework, GHG protocol standards and/or the CDP or other climate related reporting frameworks/standards
- The adoption of the SEC's recently proposed rules with respect to climate related disclosures would likely enhance reporting of company level emissions data and may result in uniformity in reporting over time

# Engagement and Advocacy

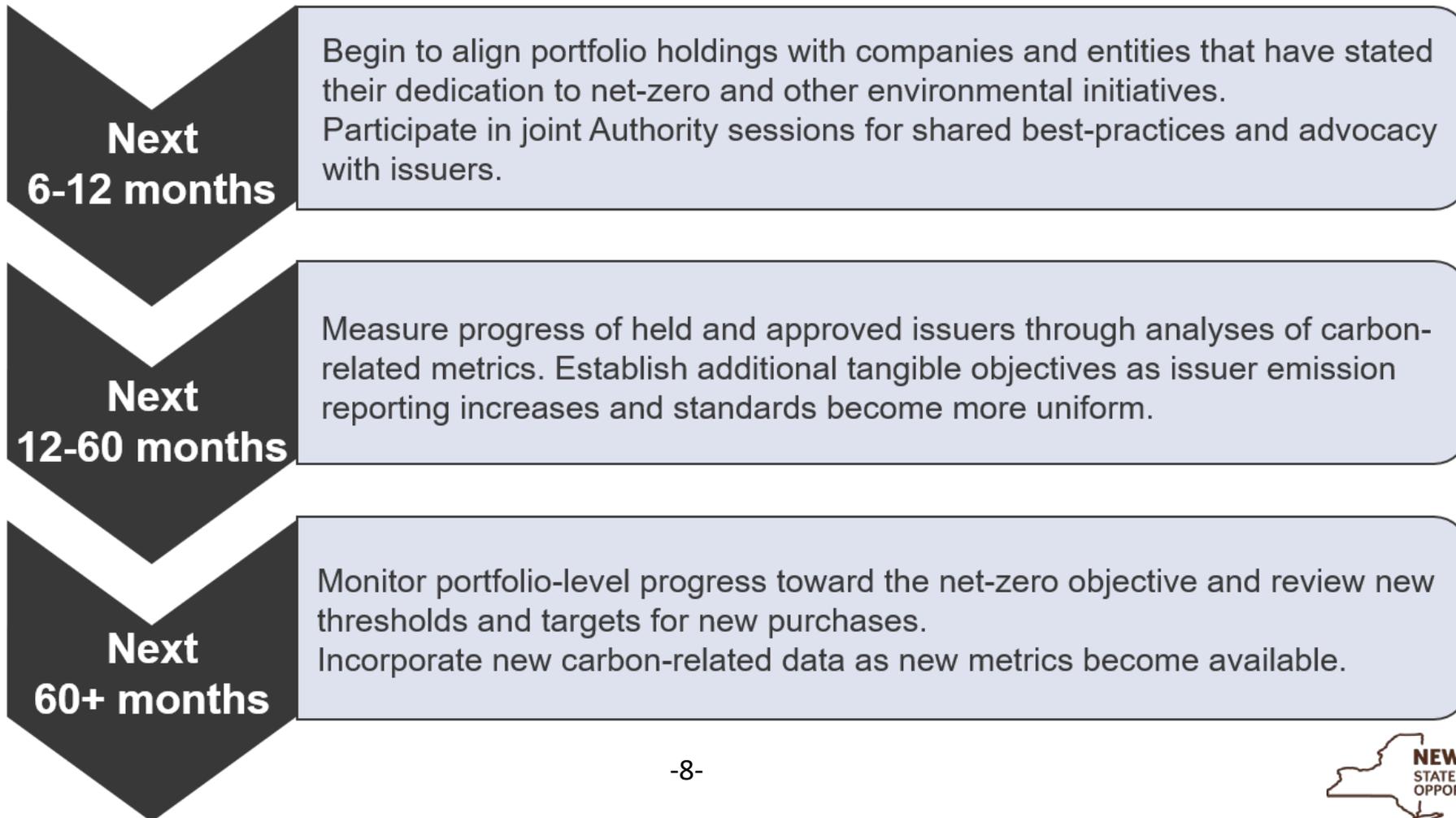
## Approach to engagement and advocacy with our portfolio entities

- Since the directive spans all NYS Authorities, BPCA will seek to collaborate with other Authorities in implementing its net-zero initiative
- Authorities seeking to expand their investment in ESG solutions can work together to identify and advocate for expanded approval of issuers with strong ESG ratings. This could expand the mandated investable universe by including issuers that meet net-zero objectives and ESG principles
- Ongoing collaboration of Authorities can increase the strength of advocacy and potentially have greater impact on engagement with portfolio entities



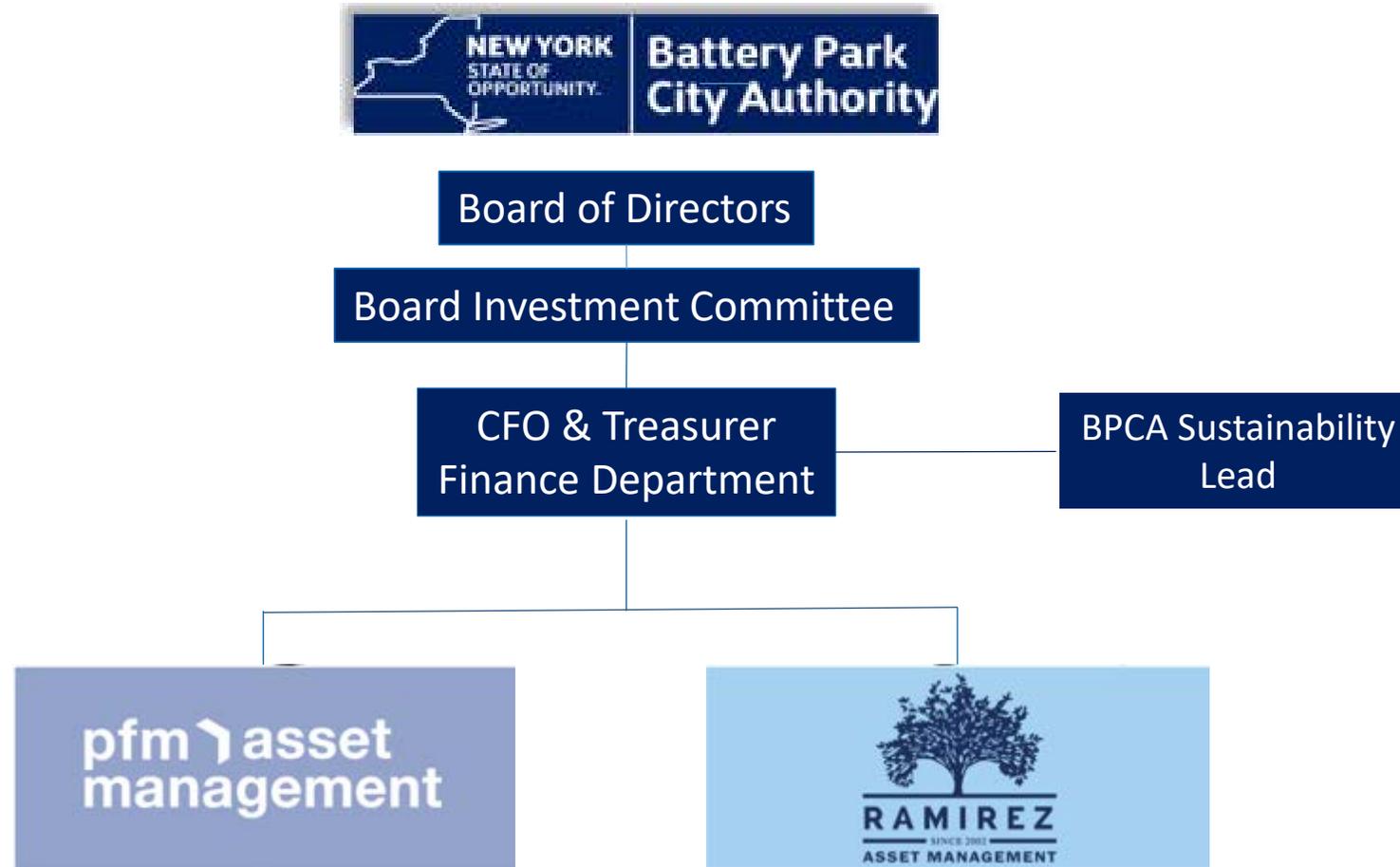
# Portfolio Action Plan Towards Net-Zero Carbon by 2040

## Strategy for evolving BPCA's portfolio construction



# Net-Zero Investment Action Plan Oversight

Continue the existing organization and reporting structure



[Intentionally left blank]