

New York State Common Retirement Fund Proxy Voting Guidelines

Approved February 2026 vs. approved January 2024: the word ESG went, most of the rules stayed, and four new reasons to vote against directors arrived

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New York State Common Retirement Fund

Guidelines approved January 30, 2024 compared with guidelines approved February 9, 2026

The Fund renamed the document from "Environmental, Social & Governance Voting Guidelines" to "Proxy Voting Guidelines" and dropped "equity" from DEI - but it kept the board-diversity test that most managers deleted this cycle, and added four new grounds for voting against directors.

Source: the two published guideline documents, read in full. Every quotation below is verbatim.

proxyvotesnow.com

The short version

This is a 44-page rulebook for one of the largest public pension funds in the United States, and the great majority of it is word-for-word the same in both editions. The differences that matter are concentrated in three places: the title and vocabulary, the board-diversity machinery, and a set of genuinely new director-accountability triggers.

- The branding changed. The January 2024 document was titled "Environmental, Social & Governance Voting Guidelines." The February 2026 document is titled "Proxy Voting Guidelines." The phrase "Environmental, Social & Governance" no longer appears in the title at all.
- "Equity" came out of DEI. The trigger for voting against directors over workforce disclosure previously read "diversity, equity and inclusion (DEI) practices or data"; it now reads "diversity and inclusion practices or data." The trigger itself survives.
- Board diversity survived, and this is the notable part. The Fund still says it "will scrutinize boards that do not appear diverse" and still lists "age, race, gender, ethnicity, sexual orientation and gender identity, geography, disability" as diversity attributes. Almost nobody else kept that language in 2026.
- But two hard diversity triggers were deleted - the ones that turned a disclosure failure into a specific vote against the nominating committee.
- Four new reasons to vote against directors were added, none of them about ESG: a CFO sitting on the board, inadequate related-party transaction oversight, failure to review a jurisdiction that weakens shareholder protections, and a "stealth" dual-class structure.

Direction of travel

Mixed, and on balance slightly stricter on governance. The Fund shed the ESG label and some of the DEI vocabulary while retaining nearly all of the substance, and used the same revision to widen director accountability. No numerical threshold in the document moved: the 75% attendance rule, the four-board and one-board overboarding limits, the 25% cap on non-audit services, the seven-year dual-class sunset and the five-year long-term vesting standard are all identical.

1. The rebranding, and how far it actually goes

Anyone scanning for the 2026 retreat from ESG will find the headline evidence on the cover page and very little of it inside.

The document's name changed from "Environmental, Social & Governance Voting Guidelines" to "Proxy Voting Guidelines." The Fund's description of its own programme was also rewritten - but read the replacement carefully, because it is not a retreat.

February 2026, new:

"The Fund's Corporate Governance Program is tasked with executing the Fund's ESG strategy, with a focus on the following key ESG factors:"

The acronym ESG is still there, and the factor list underneath it still runs from climate risk through workforce management, labor relations, human rights, health and safety and supply chain labor standards to lobbying and political spending. What did change inside that list is a single phrase: the January 2024 version listed "diversity, equity and inclusion" as a social factor; the February 2026 version lists "diversity and inclusion." "Equity" was removed, and so were "director qualifications and diversity" from the governance factor list.

Where the same edit shows up in the voting rules

Withholding support over workforce disclosure

January 2024:

"Directors on relevant committees where there is inadequate disclosure of workforce management and diversity, equity and inclusion (DEI) practices or data."

February 2026:

"Directors on relevant committees where there is inadequate disclosure of workforce management and diversity and inclusion practices or data."

This is the whole of the change to that trigger. The conduct it targets - a company that does not adequately disclose how it manages its workforce - and the consequence - a vote withheld from directors on the relevant committees - are unchanged.

2. Board diversity: kept in principle, weakened in enforcement

The Fund is one of very few large investors to carry an explicit board-diversity section into 2026. It is worth quoting, because it is unusual.

February 2026:

"For example, boards may not be diverse if they lack diversity of age, race, gender, ethnicity, sexual orientation and gender identity, geography, disability and other such individualized factors that may result in a wide range of viewpoints, backgrounds, skills and experience."

The same sentence, bar one word, appears in the January 2024 edition. The only edits across the whole section are the removal of "sufficiently" before "diverse" in three places, and the dropping of the phrase "Rooney Rule" in favour of a plain description. The consequence also survives intact: a finding that a board is not diverse "may result in the Fund withholding support from incumbent nominating committee nominees or all incumbent board nominees."

What was deleted

Immediately after that list, the January 2024 edition set out two specific, mechanical triggers. Neither appears anywhere in the February 2026 document.

January 2024, deleted:

"The Fund may also withhold support from: a. All incumbent nominating committee nominees that do not disclose the self-identified individual racial/ethnic diversity of their board directors; and/or b. All incumbent nominating committee nominees at companies that have not listed both gender and racial/ethnic diversity as explicit considerations in their search for a pool of candidates for director nominations."

These were the enforceable part. A company that did not publish director-level racial and ethnic self-identification, or that did not name gender and racial/ethnic diversity as search criteria, met a stated test. In 2026 that determination returns to the Fund's general discretion under the paragraph above.

One related change points the other way. The list of things the Fund may consider now includes "whether the company provides a director skill disclosure" - a new item - and asks about "the self-identified diverse attributes of individual board directors" rather than specifically their "racial/ethnic diversity." The category was broadened rather than abandoned.

Why this matters

Across the 2025-26 policy cycle, the common pattern was managers deleting the link between a diversity finding and a vote against a named director while keeping vague supportive language. New York's Fund did something narrower: it deleted the two automatic triggers but kept the discretionary test, the attribute list and the stated consequence. If you want to know whether the Fund will still vote against a nominating committee over board composition, the answer in the document is yes - it is just no longer predictable in advance.

3. Four new reasons to vote against directors

These are additions with no counterpart in the January 2024 text, and they are the clearest evidence that this revision was not simply a retreat.

A CFO on the board

February 2026, new:

"The Fund believes the CFO and the value provided to the board is best preserved by ensuring that the CFO does not hold a seat on the board. The Fund will withhold support from nominees who serve as CFO of the company."

Note the wording: "will withhold," not "may." This is a bright-line rule, and it is new.

A jurisdiction that weakens shareholder protections

February 2026, new:

"When a jurisdiction in which a company is incorporated meaningfully weakens protections for shareholders, and the company adopts these changes into its policies, procedures or bylaws, the board should conduct a review and disclose the specific standard that was weakened and the board's rationale for any related decisions. The Fund may withhold support from directors when such a review and disclosure does not occur. In addition, the Fund will withhold support from directors where there has been a diminution in shareholder rights."

This is a direct response to the wave of company reincorporations out of Delaware that began in 2025. It also applies to any company that imports a weakened statutory standard into its own bylaws.

Related-party transactions

February 2026, new:

"The Fund will review any related-party transaction proposals on a case-by-case basis and may withhold support from governance committee members when meaningful oversight and disclosure of related-party transactions are inadequate."

"Stealth" dual-class structures

Dual-class capital structures without a sunset

January 2024:

"All incumbent board nominees at companies that have a dual-class capital structure without a reasonable sunset."

February 2026:

"All incumbent board nominees at companies that have a dual-class or "stealth" dual-class capital structure without a reasonable sunset. A "stealth" dual-class structure is any structure that includes similar misalignment of voting rights and economic ownership without establishing multiple classes of common stock."

The seven-year sunset standard is unchanged. What changed is reach: the Fund now names identity-based voting power, side agreements with favoured shareholders, stock pyramiding, cross-ownership, umbrella partnership C corporations, irrevocable proxies transferred from employees to insiders, golden shares, situational super-class issuances and non-equity votes as structures it may treat the same way. The entrenchment-device list was extended in parallel to cover "alternative structures or mechanisms that achieve the same result" as dual-class shares.

And one existing trigger was widened

Board fails to put the auditor up for shareholder ratification

January 2024:

"If the board fails to put the selection of the auditor up for shareholder ratification, the Fund will withhold support from the chair of the audit committee."

February 2026:

"If the board fails to put the selection of the auditor up for shareholder ratification, the Fund will withhold support from members of the audit committee."

One director's seat became the whole committee's. Similarly, say-on-pay gained an escalation that did not exist before: the Fund "may withhold support from the incumbent compensation committee chair and incumbent compensation committee members if the company fails to present advisory votes on compensation on an annual basis, particularly when there is a history of problematic pay practices."

4. New territory: AI and data centres

The February 2026 edition adds two topics that do not appear in the January 2024 document at all.

February 2026, new:

"The rapid adoption of AI and other technological infrastructure is creating significant cross-sector environmental risks for companies, impacting both hyperscalers and AI users. These material risks stem from increased GHG emissions due to energy-intensive data centers, water stress, and physical risks from extreme weather events such as heat, droughts, and floods."

The section carries a voting consequence: "The Fund will support shareholder proposals calling for greater transparency on these risks and the actions taken to mitigate them." A separate new section on artificial intelligence governance states that the Fund "expects companies to adopt best practices around governance of AI and responsible AI policies that address board oversight and ethical or safety guidelines regarding its use of AI," and that boards "must possess sufficient expertise among directors" on the subject.

Read alongside the climate sections - which survive largely unchanged - this is an expansion of the Fund's environmental agenda, not a contraction of it.

5. The social section was consolidated, and some of it was lost

January 2024 ran five separate named social sections. February 2026 folds them into one headed "Diversity & Inclusion." Some content survived the merge; some did not.

- Deleted as standalone sections: "Racial Equity and Justice," "Glass Ceiling," "Sexual Orientation and Gender Identity and Expression," "Disability Inclusion" and "Diversity Disclosure & Equal Employment Opportunity (EEO) Reporting."
- Survived the merge: support for "a third-party or independent racial equity audit" remains an explicitly listed proposal the Fund will support, as does disclosure of company policies on religious practices, and workforce composition data "disaggregated by race, ethnicity and gender (e.g., EEO-1 or comparable disclosures)."
- Deleted outright: the whole "Military and Security Issues" group - space weaponry and missile defence, foreign military sales, and the associated reporting proposals.
- Substantially expanded: labour rights and human rights. The 2026 edition adds detailed expectations on ILO core standards, freedom of association and "non-interference when workers seek to organize, ensuring that management refrains from intimidation, coercion, retaliation, or threats," independent supplier monitoring, zero tolerance for workplace violence and harassment, protection for workers who report human-rights or labour-standards violations, and the elimination of "mandatory arbitration or nondisclosure agreements that prevent workers from reporting workplace discrimination, harassment, or other legal violations."

So the social chapter is shorter on identity categories and longer on labour. That is a change of emphasis a reader should see plainly: the specific named constituencies of the 2024 document - LGBTQ employees, racial minorities, people with disabilities, religious minorities - are addressed now through a general non-discrimination and workforce framework rather than through sections of their own.

6. What did not change

Every number in the document survived, and so did the core fifteen-item list of reasons to withhold support from directors.

- Attendance: "less than 75 percent of board and/or committee meetings during the preceding year without a reasonable and disclosed justification." Identical.
- Overboarding: "more than a total of four public company boards; and a chief executive officer of a public company who serves on more than one board other than the company where the individual is chief executive officer." Identical.
- Auditor independence: non-audit services "limited to no more than 25 percent" of services. Identical (2026 adds the word "total").
- Dual-class sunset: "The Fund does not consider sunset periods of more than seven years from the date of the IPO to be reasonable." Identical.
- Long-term vesting: five years, with three-year cliff vesting plus a two-year holding requirement treated as equivalent. Identical.
- Climate: "Audit committee members or directors responsible for oversight when there is failure of the company to disclose and appropriately manage and comprehensively report climate and other material ESG risks" remains on the withhold list, word for word.
- Poison pills, majority voting, proxy access, virtual meetings, classified boards, supermajority requirements and the entrenchment-device framework are unchanged in substance.

How to read this one

If you are looking for a public pension fund that abandoned ESG in 2026, this is not it. The Fund removed a label, one acronym and two mechanical diversity triggers, restructured its social chapter, and in the same edit added four new ways to vote against directors and a new environmental topic. A reader who judged the document by its title alone would get the direction of travel backwards.