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SCOTT M. STRINGER

climate majority project

GLOBAL INVESTORS LAUNCH INITIATIVE TO WIPE OUT CARBON POLLUTION AT COUNTRY'S LARGEST POWER UTILITIES

Coalition Representing $1.8 Trillion in Global Assets Sets Net-Zero Carbon Deadline For Big Polluters

Just Twenty Companies Responsible for Half of Power Sector's Carbon Emissions

NEW YORK, NY and WASHINGTON, D.C., February 28, 2019 – As the push to decarbonize the U.S. economy accelerates, today New York City Comptroller Scott M. Stringer led a coalition of institutional investors representing some $1.8 trillion in combined assets to demand the 20 largest publicly traded electricity generators in the U.S. commit to achieving net-zero carbon emissions. Decarbonizing these companies would wipe out nearly half of the power sector's carbon emissions and put the country on track to building a sustainable power grid and a sustainable economy.

New York City Comptroller Scott Stringer, a lead signatory to this effort on behalf of the New York City Employees' Retirement System, Teachers Retirement System of the City of New York, and the New York City Board of Education Retirement System, said "The climate crisis is an imminent threat not only to our planet, but to pensions systems, and ultimately, our beneficiaries. Delaying climate action is like denying climate change -- it's not an option for these companies or for anyone else. These are the biggest power producers and polluters in our country, which is why decarbonization is not just a moral imperative, it's a financial necessity. This initiative makes clear that mobilizing for the planet goes hand-in-hand with protecting our pensions, and we need these commitments now."

The 20 signatories, including some of the biggest institutional investors in the world, have asked the board chairs of these **20 utilities** to make the net-zero commitment within the next six months. Read the full investor statement **here.**

Investors have further asked the targeted utilities to implement four key governance reforms[1] in advance of their 2020 proxy statements to achieve the net-zero target:

1. Identify who on the board is responsible for overseeing execution of the net-zero transition.
2. Develop and publish a detailed transition plan to achieve net-zero emissions from electricity generation by 2050 at the latest, with clear near-term benchmarks and plans for 2025 and 2030.
3. Incorporate transition milestones into executive compensation metrics.
4. Disclose how political, lobbying and trade association activities will be brought into alignment with the net-zero commitment.

A new report from the Climate Majority Project, ***Net-Zero by 2050: Investor Risks and Opportunities in the Context of Deep Decarbonization of Electricity Generation,*** details the urgency of global decarbonization and the risks and opportunities for electric utilities and their investors. It also outlines the governance transformations needed for companies to achieve the net-zero target. Download the full report **here**. A webinar is scheduled for Wednesday, March 13, 2019, at 3:00 PM ET to review the report in depth. Register **here** at no charge.

New York State Comptroller Thomas P. DiNapoli said, "The New York State Common Retirement Fund has long pushed its portfolio companies, including utilities, to address climate risk and set lower emissions targets. Our thanks to the Climate Majority Project for a detailed plan to help the utility sector's transition to net-zero emissions. Climate change presents investors with significant risks, but the creation of a low carbon economy presents numerous opportunities that utilities, and their investors, cannot afford to miss."

"We are approaching a crucial tipping point in moving the U.S. electric power sector into alignment with the Paris Agreement's objectives, catalyzed and supported by our longstanding work with investors - including via the Climate Action 100+ initiative," said **Mindy Lubber, CEO and President of Ceres**. "We applaud Climate Majority Project's new effort that holds promise for reinforcing the imperative for utility companies to accelerate their transition to net-zero carbon without delay."

“CalPERS applauds efforts by the Climate Majority Project to encourage U.S. electric utilities to consider climate change risks and opportunities. We continue to engage our portfolio companies as part of the Climate Action 100+ initiative on improving climate change governance, curbing greenhouse gas (GHG) emissions, and strengthening climate-related financial disclosures. CalPERS encourages all our portfolio companies to devise economically attractive ways to thrive in a low carbon

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[1] These four governance mechanisms are consistent with the framework established **by Climate Action 100+.**

economy and generate sustainable returns," said **Simiso Nzima, CalPERS Director of Corporate Governance**.

Tim Goodman, Director Engagement, Hermes EOS at Hermes Investment Management said, "Electric power producers have the largest role to play in decarbonising the economy. The decarbonisation of other sectors, such as autos and industry are reliant on the successful transition away from fossil fuels to clean energy sources of power. Embracing the transition will reduce financial, legal and reputational risks, whilst also bringing significant benefits to air quality. We are supportive of ambitious, long-term plans for power companies to transition their business models and eliminate emissions from the production of energy."

Shawn T. Wooden, Connecticut Treasurer, said, "The negative impacts of climate change for our planet and our country are not some hypothetical scenario decades from now. This is a crisis that is very real today. That's why Connecticut and other long-term investors in electric utilities are taking action. Connecticut is engaging with the electric utility companies in which we invest in order to work toward the goals of the Paris Climate Agreement and reduce their carbon emissions. We have seen noteworthy progress in the business models of some electric utilities as they shift their fuel sources to reduce overall carbon emissions. We must, however, continue to press for measurable, tangible action and measurable results. The work of the Climate Majority Project, Climate Action 100+ and our fellow investors is essential to this effort."

"Part of our job at the Treasurer's Office is to identify long-term risks facing the companies in which we invest," said **Illinois Treasurer Michael Frerichs**. "As highly regulated entities and major emitters of greenhouse gas, utility companies face a special set of long-term challenges. Many will likely struggle to manage compliance costs, meet changing consumer preferences, and transform their business strategies as governments and markets shift to tackle climate change. As such, we seek to work with utility companies to ensure they have the appropriate governance structures, planning processes, and performance targets in place to adapt effectively and capitalize on these evolving changes."

"The need for companies to address the climate crisis is more urgent than ever," said **Councillor Paul Doughty, Chair of the Local Authority Pension Fund Forum**. "We join other investors in urging boards of utilities to orient company strategies for a zero-carbon future. This is vital to ensure an enduring business model and sustainable returns for investors."

Climate change is one of the largest systemic risks facing the economy and financial markets, and is a risk that cannot be diversified from long-term investor portfolios. The UN Intergovernmental Panel on Climate Change (IPCC) concluded in October 2018 that we must achieve net-zero carbon emissions economy-wide by 2050 at the latest to have at least a 50% chance of limiting warming to 1.5˚C above pre-industrial levels, and the U.S. Fourth National Climate Assessment warns of mounting costs reaching

hundreds of billions of dollars each year to the U.S. economy alone by the end of this century resulting from continued emissions growth.

The IPCC's report makes clear that "virtually full decarbonization" of electric power by midcentury is a robust feature of pathways to hold warming to both 1.5˚C and 2˚C. Today, the electric power sector is one of the largest sources of U.S. carbon emissions, and U.S. power sector emissions increased in 2018. Failure of electric utilities to decarbonize poses material risks for long-term investors; at the same time, carbon-free electrification of transportation and other sectors presents electric utilities with once-in-a-generation growth opportunities. As such, investors have a fiduciary obligation to ensure that the electric power sector is on track to achieve net-zero emissions by 2050 at the latest – which most utilities are not.

As the Climate Majority Project **report** details, the twenty companies that are the focus of this investor initiative are estimated to generate nearly 50 percent of the U.S. electric power sector's CO_2 emissions. Of the twenty, only one (Xcel Energy) has committed to a net-zero by 2050 target. Seven have set long-term targets that are not yet in line with the net-zero by 2050 objective, and the remaining twelve have not set any long-term targets at all. None of the companies can yet demonstrate that their capital expenditures are in line with achieving a net-zero target, and many have invested heavily in policy-related activities that oppose climate mitigation efforts.

Eli Kasargod-Staub, CFA, Executive Director of the Climate Majority Project, said: "Given the urgency, complexity, and magnitude of the net-zero transformation, responsibility for the transition rests with corporate boards of directors. We recommend that if an electric utility fails to make the net-zero by 2050 commitment and undertake the four reforms by the time of the 2020 proxy statement, asset owners and managers should consider voting against the chair of its board of directors (and lead independent director, if applicable) in 2020. Asset owners and managers also should consider whether further board-level actions are warranted, such as voting against directors overseeing executive compensation, environmental issues, and political spending; enacting governance reforms to improve board independence; or nominating alternate directors."

The Climate Majority Project works to harness the power of investors to promote climate responsibility on corporate boards and accelerate economy-wide decarbonization. We work with some of the world's largest institutional investors to encourage public companies to adopt responsible corporate governance practices and implement long-term strategies in line with the scale of our climate challenge. Initially founded in 2014 as the 50/50 Climate Project, the Climate Majority Project is an effort of Majority Action, a 501(c)(3) nonprofit incorporated in Washington, D.C. More information is available at www.climatemajority.us.

Media Contacts:

Tian Weinberg | 646.988.5627 | tweinbe@comptroller.nyc.gov

Kelly Kenneally | 202.256.1445 | kelly@majorityact.org

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