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Treasurers, Comptrollers, Express Concern About Risks to Pension Investments from Climate Change

Nappier calls for institutional investors summit to examine climate risk; Connecticut, New York State, New York City likely to vote proxies on resolutions

(New York City) -- Four state and city treasurers and comptrollers, representing more than $100 billion in investments, today expressed concern about the risks of climate change to long-term investments, and announced plans to hold a summit with other institutional investors to examine the issue.

Denise L. Nappier, Treasurer, State of Connecticut; William Thompson, Comptroller, City of New York; Alan Hevesi, Comptroller, New York State; and Jeb Spaulding, Treasurer, State of Vermont, all expressed concern that global warming posed long-term economic risks that threatened the value of retirement funds. They made the announcements at the Coalition for Environmentally Responsible Economies (CERES) conference, a gathering of investors, environmentalists, analysts, and business leaders being held April 1 and 2 in New York City.

Treasurer Nappier, Comptroller Hevesi, and Comptroller Thompson also indicated that funds they represent would likely vote their proxies in favor of shareholder resolutions filed this year against portfolio companies requesting disclosure of and plans to reduce greenhouse gas emissions.

In a series of speeches at the conference, the officials cited a variety of potential risks posed by climate change, from damages caused by climate change itself to potential regulatory scenarios, competitive pressures in development of new technology to potential future legal liabilities for heavy emitters of greenhouse gas.

In her speech on Tuesday, Treasurer Nappier announced plans to hold an institutional investors' summit to examine the issue further, saying that "institutional investors have struck a chord because too many companies have struck a nerve."

Contacts: **Bernard L. Kavaler**
Treasurer's Office
(860) 702-3277 FAX (860) 702-3043
BERNARD.KAVALER@PO.STATE.CT.US

Nicole St. Clair State
CERES
(617) 733-6660

"All funds, but particularly pension funds, have a responsibility to their shareholders to be sure that they're adequately assessing risk in their portfolio companies." Treasurer

Nappier (CT) said. "These resolutions serve notice that we will not tolerate irresponsible corporate behavior that could potentially undermine the integrity and soundness of our pension funds and the health of our planet and its people. The days of putting one's corporate head in the sand and waiting for the issue to pass are long gone. This issue is not going away, in my view, institutional investors are in a position to lead the effort."

"It's not hard to see that global warming is going to have an effect on many sectors of our economy. As we see disruptions in water supply, changing agricultural seasons, insurance losses and rising premiums from severe storms, and other changes, we know that all has associated costs," Alan Hevesi, New York State Controller, said. "CEOs in charge now might not be around to see all those costs hit, but retirees will be. It's my job to watch out for risks on the horizon to keep New York's investments solid and strong over the next twenty or thirty years."

"In 1989, we helped found CERES because we recognized that many environmental issues pose long-term risks to business if not managed properly," William Thompson, New York City Comptroller said. "Climate change is a prime example of that kind of long-term risk, and yet there is little movement to address it."

Jeb Spaulding, Treasurer of Vermont, expressed support for Nappier's proposal for a summit to examine the relationship between climate and portfolio risk.

"Fund managers are routinely asked questions about how large scale trends are likely to affect a portfolio," said Treasurer Spaulding. " Climate change is the definition of a large scale trend. I would be interested in our fund managers' views on the way in which climate risk should be evaluated in our long term portfolio strategy."

SUPPORT FOR GLOBAL WARMING RESOLUTIONS

A record 31 "global warming" resolutions were filed against 27 companies this year, primarily with companies from heavily-emitting sectors such as auto, electric utilities, oil and gas, and manufacturing. The resolutions requested disclosure of, and in some cases plans to reduce, greenhouse gas emissions. The average support level for these resolutions has more than doubled since 2000, rising to an average18.8 percent support level in 2002.

The State of Connecticut is the primary filer of one such resolution against American Electric Power (AEP), the largest single emitter of greenhouse gases in the world. Treasurer Nappier explained her state's concern.

Contacts: **Bernard L. Kavaler** **State Treasurer's Office**
(860) 702-3277 FAX (860) 702-3043
BERNARD.KAVALER@PO.STATE.CT.US

Nicole St. Clair
CERES
(617) 733-6660

"In American Electric Power's own disclosure to the SEC they acknowledge climate change as a risk factor," said Treasurer Nappier. "And yet, they, like most companies, haven't presented to their shareholders a comprehensive assessment of these risks and how they plan to address them."

Properly submitted shareholder resolutions appear in company proxy statements, which are circulated to all shareowners in advance of a company's annual meeting. Though such resolutions are not binding, they prompt top executives and board members to draft and approve statements in response (and almost always in opposition) to these proposals. For some companies, such proxy statements provide the most detailed and current assessment available to shareholders on the global warming issue.

The global warming shareholder campaign is one of the longest running since the South Africa divestment campaign of the 1970s and 1980s and is fast becoming one of the most widely supported as well. Pension fund concern was a cornerstone of the movement to divest from apartheid-era South Africa.

Robert Massie, Senior Fellow, CERES, and author of *Loosing the Bonds, The United States and South Africa* is compared the divestment movement to current rising investor concerns about global warming.

"With South Africa, we saw a similar situation where the U.S. government had decided not to deal with the issue and so Wall Street decided not to be concerned," Massie said. "But then individual state funds began to ask their fund managers to examine the issue, and gradually there was a nationwide move toward consensus to divest. That's happening now with global warming- this issue is not going to disappear."

Mindy Lubber, Executive Director, CERES, explained the funds' concern about climate risk. "Climate risk is pervasive, global, volatile, and inexorable -- the very definition of long-term risk. No fund manager could deny that it will have some impact on the market value of a portfolio. The question is how much."

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