OFFICE OF
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DENISE L. NAPPIER

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CT Treasurer Tells Congress Lack of Information Puts Investors at Risk; Nappier Says Investors Need More Corporate Disclosure on Plans to Respond to Global Warming

(Washington, D.C.) -- Describing climate change as "an investor security issue of the highest magnitude," Connecticut State Treasurer Denise L. Nappier told Congress today that "climate change may well be about our planet's future, but it is also about the financial risks to corporations, and the impact on the retirement savings of millions of Americans."

Testifying before the U.S. Senate Committee on Environment and Public Works Subcommittee on Clean Air, Climate Change and Nuclear Safety, Nappier told Congress that institutional investors and the investing public need greater disclosure by corporations on the actions they are taking to deal with the growing world-wide regulatory response to global warming.

"This issue is quickly becoming the leading edge of the next wave of corporate governance issues, and that the market place must begin to closely scrutinize companies to determine whether they have honestly, directly and thoroughly evaluated climate change as a risk factor and developed a proper response to it."

"We have every right to know what is being done, and how America's corporations will protect their bottom line, and thereby the value of our investments," said Nappier, principal fiduciary of the $17 billion Connecticut Retirement Plans and Trust Funds, and a leading advocate for corporate accountability and shareholder rights.

Connecticut's Treasurer testified that "the consequences for those companies that do not act responsibly today and take steps to assess and mitigate the risk associated with climate change can be quite devastating. For example, companies could face the prospect of losing their competitive edge, incurring litigation costs, or being saddled with unforeseen capital expenses, just to name a few." Nappier added "All of these factors – and others – can erode shareholder value and place today's seemingly solid investment in jeopardy."

Nappier said that while Congress debates the merits of a legislative response to climate change, such as whether or not to enact mandatory caps on carbon emissions, other nations are preparing to implement the provisions of the Kyoto Protocol which include mandatory provisions.

"Many of the companies in which we invest – particularly companies such as GE, ExxonMobil, and Daimler Chrysler – operate in a global economy. For them, carbon regulation is not a future possibility, it is an imminent reality," Nappier said.

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Nappier noted that her office participated in a year-long dialogue sponsored by the Coalition for Environmentally Responsible Economies (CERES), which brought together investors, electric power companies and environmental activists focusing on the potential financial impact of climate change and efforts to mitigate its effects. That final report, issued today, included the major consensus finding that "greenhouse gas emissions, including carbon dioxide emissions, will be regulated in the U.S. The issue is not whether the U.S. government will regulate these emissions, but when and how."

The report also recommended that the federal government enact a national mandatory market-based climate change program to limit greenhouse gas emissions to create certainty for both electric utilities and investors and it called on senior management and directors of electric companies and investors to actively engage in the climate change issue and investors and electric companies to quantify and analyze climate change financial risk.

In addition, the Connecticut Treasury is a signatory of the Carbon Disclosure Project – which surveyed the 500 largest companies in the world, and found that while 80 percent acknowledge the importance of climate change as a financial risk, only about 40 percent were actually taking action to address the risks and opportunities.

Nappier said one of the lessons of Enron is that "We learned about the disastrous impact on our investment savings, our jobs and our economy …. when transparency, accountability and an honest assessment of risk are not viewed by companies as priorities."

"As institutional and individual investors, we need accurate and complete disclosure of information that could affect the current and future health of the companies we invest in… and that goes beyond accounting to include, among other things, climate change as a risk factor," Nappier said.

Nappier also pointed out that shareholders interest in this issue is growing, noting that shareholder resolutions on climate change were introduced at 23 U.S. companies, asking the companies to report on their greenhouse gas emissions, or to set a goal to reduce emissions, or to report on the potential future financial risk to the company from their past, present, and future emissions and to issue a plan to mitigate that risk.

Some of these resolutions were withdrawn after productive discussions between shareholders and management. Most of the resolutions were opposed by management and the directors. Despite that opposition, the percentage of shares voted in support of climate change resolutions has doubled in the last two years, according to data from the Investor Responsibility Research Center.

"Make no mistake, there is significant investor concern about the impact that climate change could have on our nation's economy," Nappier said.

The Connecticut Treasurer's Office has also joined with other investors in urging the Securities and Exchange Commission to insist on more comprehensive disclosure of climate risk, and Treasurer Nappier has announced plans to convene an Institutional Investor Summit – which will be held this fall in New York City – to discuss these issues and set an agenda for action to protect the long-term value of pension fund investments.

Nappier also cited a report by the Rose Foundation, *"The Environmental Fiduciary",* that reviewed the findings of a number of studies on this issue, and concluded that "in many cases improving environmental performance provides a measurable boost to profitability and shareholder value, especially over the long term."

Nappier said that the work of "corporations, legislators, regulators, and investors is intertwined and interdependent," stressing that the various interested parties must "work together to protect the long-term value of our investments, as well as our economic well-being."

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