# OFFICE OF STATE TREASURER DENISE L. NAPPIER

# NEWS

**FOR IMMEDIATE RELEASE**
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## U.S. and European institutional investors call on SEC to require corporate disclosure on financial risks of climate change

*Letter signed by state treasurers/comptrollers from Connecticut, California, Kentucky, Maryland, Maine, New Jersey, New York, Oregon and Vermont*

Connecticut Treasurer Denise L. Nappier is among more than two-dozen institutional investors, managing more than $1 trillion in assets, calling on the U.S. Securities and Exchange Commission (SEC) to require publicly-traded companies to disclose the financial risks of global warming in their securities filings.

In a letter to SEC Chairman Christopher Cox, the 27 institutional investors wrote that climate change poses material financial risks to many of their portfolio companies and that those risks should be disclosed as a matter of routine corporate financial reporting to the SEC. While some U.S. companies have voluntarily reported their climate risk to shareholders, the vast majority of businesses - including many of the country's largest emitters of global warming pollutants - have refused to do so, citing ambiguous SEC rules governing the acknowledgment of such material dangers to shareholder wealth.

"Without comprehensive regulations, even as corporate disclosure of the business impact of climate change is increasing, it remains intermittent, inconsistent, and incomplete," said Treasurer Nappier, principal fiduciary of the $23 billion Connecticut Retirement Plans and Trust Funds. "The SEC needs to treat this disclosure issue with the seriousness that it warrants, because unresponsive regulations can lead to economic disaster. In the shadow of the Enron convictions, we are forcefully reminded that the more we know, and the sooner we know it, the better off we are."

"This letter sends a clear message that the SEC needs to do more to help investors better understand the climate change-related risks that companies face, whether from direct physical impacts or new regulations," said Mindy S. Lubber, president of Ceres and director of the *Investor Network on Climate Risk* (*INCR*), which coordinated the letter. Investors called on the SEC Chairman to:

- enforce existing disclosure requirements on material risks that are underreported, such as climate change.
- strengthen current disclosure requirements by providing interpretive guidance on the materiality of risks posed by climate change.
- require companies to include in their proxy statements shareholder proposals asking companies to report on financial risks due to climate change.

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In a memo from Ceres that accompanied the letter, investors cited the SEC's own guidelines for the Management's Discussion and Analysis of Financial Conditions and Results of Operations (or "MD&A") section of a company's SEC filings which stipulates: "Specific known trends, events or uncertainties that are reasonably likely to have a material effect on a company's financial condition or operating performance must be discussed in the MD&A."

Global warming and growing efforts worldwide to address it by limiting carbon dioxide emissions presents such a trend and uncertainty, say the investors, particularly to large greenhouse gas emitting companies such as those in the electric power, auto and oil sectors. SEC rules do not clearly require such disclosure on global warming and carbon dioxide emissions, resulting in non-disclosure and uneven disclosure, said the investors.

“Shareholders deserve to know if the companies they own are going down the prudent path – adopting environmental practices that will enable them to thrive in a world of increasing environmental concern and regulation – or whether they are following a path that will damage both our environment and our bottom line,” said California State Treasurer Phil Angelides, a trustee of two of the nation’s largest public pension funds, CalPERS and CalSTRS, which collectively manage about $400 billion in assets.

Many of the 27 institutional investors that signed the letter have been pushing for greater climate risk disclosure from companies by filing shareholder resolutions. The Connecticut Treasurer’s office, for example, has filed numerous resolutions with electric power, auto and oil/gas companies requesting climate risk reports. Treasurer Nappier has urged companies to undertake strategic planning to mitigate risk and seize business opportunities associated with climate change, and outline plans to shareholders.

“Investors are not receiving the climate risk information from companies that is essential to their investment decision-making,” said Rob Feckner, chairman of the California Public Employees’ Retirement System (CalPERS). “The SEC needs to provide better interpretive guidance for companies clarifying the materiality of climate change in securities filings.”

As a result of such resolutions and other engagement with companies, more than a dozen electric power companies, as well as a handful of auto and oil firms, have published or agreed to publish reports on their potential financial exposure from new regulations and other climate-related risks.

The letter to Cox is part of a 10-Point Investor Network on Climate Risk action plan that was endorsed by 28 European and U.S. investors at the *Institutional Investor Summit on Climate Risk*, co-chaired by Treasurer Nappier, at the United Nations last year. The action plan calls on U.S. companies, Wall Street firms and the SEC to intensify efforts to provide investors with comprehensive analysis and disclosure about the financial risks and opportunities presented by climate change.

Ceres, a national coalition of investors and environmental groups working with companies to address sustainability challenges such as global warming, directs the *Investor Network on Climate Risk,* which was co-founded in 2003 by Treasurer Nappier. For more information, visit www.incr.com. *A list of the 27 investors signing the letter is attached.*

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The 27 investors signing the letter to SEC Chairman Cox include:

Bradley Abelow, Treasurer, State of New Jersey
Stephen Abrecht, Director, SEIU Capital Stewardship Program
Phil Angelides, Treasurer, State of California
Joan Bavaria, President, Trillium Asset Management
William J. Boarman, Chairman, CWA/ITU NPP
California Public Employees' Retirement System
California State Teachers' Retirement System
Patricia A. Daly, OP, Executive Director, Tri-State Coalition for Responsible Investment
Randall Edwards, Treasurer, State of Oregon
Julie Fox Gorte, Ph.D, Vice President and Chief Social Investment Strategist, Calvert Group
Denis Hayes, President and CEO, Bullitt Foundation
M. Benny Hernandez, Corporate Governance Advisor, Sheet Metal Workers National Pension Fund
Alan Hevesi, Comptroller, State of New York
Adam Kanzer, General Counsel & Director of Shareholder Advocacy, Domini Social Investments LLC
C. Thomas Keegel, General Secretary-Treasurer, International Brotherhood of Teamsters
Nancy Kopp, Treasurer, State of Maryland
David Lemoine, Treasurer, State of Maine
Lance E. Lindblom, President and CEO, Nathan Cummings Foundation
Karina Litvack, Head of Governance & Socially Responsible Investment, F&C Asset Management (London)
Jonathan Miller, Treasurer, State of Kentucky
Denise L. Nappier, Treasurer, State of Connecticut
Bruce Raynor, General President, UNITE HERE
Jeb Spaulding, Treasurer, State of Vermont
William C. Thompson, Jr., Comptroller, City of New York
Steve Westly, Controller, State of California
John Wilson, Christian Brothers Investment Services
Pat Zerega, Director, Corporate Social Responsibility, Program Unit for Church in Society, Evangelical Lutheran Church in America

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