



**OFFICE OF
STATE TREASURER
DENISE L. NAPPIER**

NEWS

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**Nappier Urges House to Approve Legislation Establishing State Policy on
Climate Change; Says Shareholders Need Businesses to Provide
Information on Actions Being Taken to Mitigate Financial Risks
Associated with Climate Change**

State Treasurer Denise L. Nappier is urging the House of Representatives to approve, and Governor Rowland to sign, legislation that would create a comprehensive state plan addressing greenhouse gas emissions and climate change, saying adoption of the plan will help encourage businesses to provide shareholders with information they need to fully assess climate change related-risks associated with existing and potential investments.

Nappier, principal fiduciary of the \$20 billion Connecticut Retirement Plans and Trust Funds, is one of the nation's leading institutional investor advocates for corporate disclosure of steps being taken to respond to the financial risks posed by climate change.

In a letter earlier this month to legislative leaders urging passage of the bill, Nappier said that "the first step of any disclosure on climate risk is for each company to inventory and report on its greenhouse gas emissions." The legislation was approved by the State Senate Wednesday night.

The legislation, Senate Bill 595, would establish goals for 2010, 2020 and on a long-term basis for the reduction of greenhouse gas in Connecticut and establish reporting requirements for the emission of greenhouse gas. It would also require the Department of Administrative Services to maintain information about products, services and practices to be used by state government that minimize the impact on global warming.

Nappier said that while state-by-state policies are not a substitute for a coordinated national policy that goes beyond the current voluntary framework, each state that acts "puts another piece of the puzzle in place and brings us closer to a national policy." She said that as states act, they provide additional guidance to companies and potentially contribute to a reduction of climate change-related risk in the state pension fund's investment portfolio.

The Connecticut Treasurer, calling climate risk one of the major corporate governance issues facing corporations and shareholders, has proposed shareholder resolutions at numerous companies advocating the disclosure of steps being taken by corporations to mitigate financial risks associated with climate change.

Earlier this year, the Treasurer's Office reached a landmark agreement with American Electric Power (AEP), the nation's largest emitter of CO₂, for the firm to provide shareholders with a complete analysis of the impacts of and potential responses to a number of policy scenarios, including various proposals in Congress and existing state legislation to limit carbon dioxide and

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other emissions. AEP also agreed to the shareholders' request that a committee of independent directors oversee the report, and that investors be consulted during the development of the report. That unprecedented agreement has served as the model for similar actions, announced in recent weeks, by other industry giants, including Cinergy, Southern Company and TXU.

Last November, Nappier convened an *Institutional Investor Summit on Climate Risk* which brought together representatives from Wall Street and major institutional investors to discuss the risks posed to investments by corporate inaction to address climate change issues. The Summit, attended by 200 business and financial leaders and co-sponsored by the United Nations Foundation, highlighted the need for greater regulatory and corporate action to provide investors with sufficient information to make informed decisions about risks to the financial health of corporations posed by climate change. At the Summit, ten leading institutional investors, including Connecticut, adopted a 10-point action plan that included recommendations for federal and state government action.

Nappier also noted that at the World Economic Forum in Davos, Switzerland, which she attended earlier this year, participants endorsed the Forum's Global Greenhouse Gas Registry, demonstrating increasing world-wide interest in the issue.

"Here in Connecticut, the need for this information is just as great, and I support the greenhouse gas reporting requirements in Senate Bill 595," Nappier told legislative leaders, pointing out that the another aspect of the bill that responds to the investors Action Plan is the adoption of state policy goals addressing climate change and greenhouse gas emissions.

"In discussions with corporate leaders, institutional investors, and environmental activists," Nappier wrote, "there is a recurring theme – the need for a policy addressing these issues. Not having a policy means uncertainty, and this uncertainty is hindering companies in strategic planning and in making long term capital decisions that, in turn, impact the bottom line of the companies in which we invest."

Last month, Nappier was joined by other State Treasurers in calling on the U.S. Securities & Exchange Commission (SEC) to eliminate any doubt that publicly traded companies should be disclosing the financial risks of global warming in their securities filings.

"The consequences for companies that do not act responsibly and take steps to assess and mitigate risks posed by climate change can be just as devastating to shareholders as the corporate scandals of the past few years. We look forward to reports that will provide shareholders with essential information we need to make informed investment decisions," Nappier said.

Treasurer Nappier has filed Connecticut's first-ever shareholder resolutions and negotiated with dozens of companies for agreements on corporate governance issues including reporting on environment according to the Global Reporting Initiative. Connecticut's proxy voting guidelines, developed by the Nappier administration, recognize the economic impact that long-term sustainability issues, including the environment, can have on the value of portfolio companies.

Nappier is currently Treasurer of the National Association of State Treasurers and co-chair of the organization's Committee on Corporate Governance. She is a board member of the Connecticut Chapter of the National Association of Corporate Directors, the first public fund investor to serve in that capacity.