



INVESTOR NETWORK ON CLIMATE RISK ACTION PLAN

Capitalizing the New Energy Future: Minimizing Climate Risks, Seizing Opportunities

Given the sweeping nature of climate change, climate risks are embedded in every investment portfolio. As fiduciaries entrusted with trillions of dollars of fund assets, we remain firmly convinced that climate change presents both material risks and significant opportunities for investment portfolios.

Since the last Investor Network on Climate Risk (INCR) action plan in 2005, more investors have been taking steps to engage companies and reduce climate risks in their portfolios. More businesses, responding to investor concern, have started to disclose their climate risks and account for the impacts of climate change on their financial performance and competitiveness. More investors and companies have called on political leaders to enact legislation that would provide greater regulatory certainty, provide incentives for climate solutions, and minimize the risks that climate change poses to businesses, investors, and the economy. But greater efforts are needed.

As fiduciaries and long-term investors, we see significant short and long-term risks from climate change to the value and security of our investments and capital markets more broadly. And we recognize that the impacts of climate change will continue to be multi-dimensional – affecting corporations’ abilities to secure the full range of necessary resources such as energy and water. At the same time, we also see opportunities presented by the transition to a low-carbon future.

Prudence, common sense, and fiduciary duty compel us to renew our efforts to examine and address the financial ramifications of climate change and to respond to climate challenges and opportunities. Accordingly, we hereby state our intentions to manage our investments; to engage companies, investors, and others; and to support policy action to the best of our abilities, in line with the following agenda:

Managing Our Investments

1. Require that our asset managers, consultants, and financial advisors consider climate risks and opportunities.

To ensure that our investments are managed by firms and individuals that are aware of the financial threats presented by climate change, it is important that we evaluate the ability of investment consultants, advisors, and managers to assess climate risks and opportunities. Accordingly, we will:

- ◆ Require and validate that relevant investment managers currently managing or seeking to manage our fund assets, as well as investment consultants and advisors, report on how they are assessing the risks and opportunities associated with climate change. Such a requirement can be accomplished through Requests for Proposals (RFPs), by making climate risk assessment a required part of regular manager reviews, by requiring managers to use a sustainability or climate risk screen, or by other methods.

2. Invest capital in companies developing and deploying clean technologies. We believe investments in clean, climate-friendly technologies – such as energy efficiency and renewable energy – represent significant opportunities and will ultimately enhance and sustain the long-term viability of corporate assets and shareholder value by broadening and deepening the range of tools available to help the world avoid the worst impacts of climate change. Accordingly, we will:

- ◆ Seek investment opportunities in all appropriate asset classes to support clean technology efforts. Our goal is to deploy \$10 billion collectively in additional investment over the next 2 years.

3. Improve the energy performance of real estate portfolios and investments. Studies demonstrate that enormous opportunities exist to improve building energy efficiency while enhancing the value of real estate assets. Accordingly, we will:

- ◆ Aim for a 20% reduction over a three-year period in energy used in core real estate investment portfolios, using standardized units of measurement, performance baselines, and regular reporting on measures taken and actual energy performance.
- ◆ Incorporate green building standards (such as LEED and Energy Star) as a factor in making investment decisions.

Engaging Companies, Investors, and Others

4. Urge comprehensive corporate responses to climate risks. As investors in publicly-held companies in the auto, electric power, coal, oil & gas, insurance, real estate, construction, financial, forestry, and many other sectors, we desire greater information and action from companies on climate risks and opportunities, recognizing the broader sustainability context. Accordingly, we will:

- ◆ Urge companies to elevate climate change as a governance priority, using the Ceres “Climate Change Governance Checklist.”
- ◆ Urge companies to provide better disclosure about the financial and material risks posed by climate change and to explain how they are factoring carbon costs into operational and capital-planning decisions. Such disclosure should follow the Global Reporting Initiative (GRI) guidelines and the Global Framework on Climate Risk Disclosure.
- ◆ Support appropriate shareholder resolutions, company engagements, and other efforts to encourage companies to reduce their carbon footprint, seize new market opportunities, and ask corporate suppliers to disclose and reduce greenhouse gas emissions and energy use.

5. Help investors evaluate and address corporate climate risks. Investors often need additional information and guidance to better evaluate and engage companies on climate risks and opportunities. Accordingly, we will:

- ◆ Urge companies to adhere to best practices in corporate governance on climate risk by producing and distributing through the Investor Network on Climate Risk (INCR) a new “Corporate Governance and Climate Change” report evaluating and scoring 100 leading global companies on their governance practices and responses to the risks and opportunities from climate change.
- ◆ Produce and distribute through INCR a report evaluating how climate change is exacerbating water scarcity and evaluating how water-intensive sectors are managing water-related risks.
- ◆ Develop and promote proxy voting guidelines that encourage support for reasonable shareholder proposals on climate risk.

6. Expand climate risk scrutiny and collaboration by investors, stock market analysts, and others in the finance sector. Investors around the world must work together to address the climate risks and opportunities that exist in every market and every asset class, and debt and equity analysts and others in the finance sector must start incorporating climate risk and opportunity into their routine financial analysis and company and portfolio valuation. Accordingly, we will:

- ◆ Encourage debt and equity analysts, ratings agencies, and investment banks to incorporate climate risks and opportunities as part of their investment and valuation analysis, including analyzing and reporting on the potential impacts of foreseeable long-term carbon costs (in the range of \$20–\$40 per metric ton of CO₂eq.), particularly on carbon-intensive investments such as new coal-fired power plants, oil shale, tar sands, and coal-to-liquids projects.

- ◆ Encourage debt and equity analysts, ratings agencies, and investment banks to incorporate climate risks, opportunities, and carbon costs into their analysis of a new category of investment funds – infrastructure – including transportation, water, and other projects needed to support the growth of cities and the transition to a low-carbon economy.
- ◆ Engage with mutual funds, hedge funds, private equity firms, and others to promote increased understanding of, and actions in response to, climate risk.
- ◆ Support global information-sharing and collaboration by the growing number of institutional investors and organizations around the world concerned about climate risk.

Supporting Policy Action

7. Push for guidance from the Securities and Exchange Commission (SEC). Climate-related shareholder resolutions and new SEC guidance are each critical to improving corporate disclosure of climate risks and opportunities.

Accordingly, we will:

- ◆ Continue to engage the SEC and members of Congress on requiring companies to disclose material climate risks as part of their regular securities filings. Towards this end, we will ask investors and members of Congress to support the September 2007 Investor Petition to the SEC for “Interpretive Guidance on Climate Risk Disclosure.”
- ◆ Continue to call on the SEC to recognize shareholders’ right to vote on resolutions related to climate change and to enforce existing rules requiring disclosure of material risks.
- ◆ Call on the SEC to develop expertise on climate change risks, as well as other environmental and social issues that pose material financial risks to corporations and investors.

8. Encourage companies and investors to support government action on climate policy. As fiduciaries and leaders in the investment community, we recognize the need for policies that establish regulatory certainty, minimize climate risks, and provide strong incentives for investment in clean technology and other climate change solutions.

Accordingly, we will:

- ◆ Continue to call for a mandatory national policy to contain and reduce national greenhouse gas emissions economy-wide, making sizable, sensible, long-term cuts in accordance with the 60–90% reductions below 1990 levels by 2050 that scientists and climate models suggest are urgently needed to avoid the worst and most costly impacts from climate change.
- ◆ Continue to call for the realignment of incentives and other state and national policies to achieve climate objectives, including a range of energy and transportation policy measures to stimulate research, development, and deployment of new and existing clean technologies at the scale necessary to achieve greenhouse gas reduction goals.
- ◆ Call for strong U.S. leadership in the international negotiations for a successor to the Kyoto Protocol, including a binding target to reduce emissions significantly in the United States.

9. Support policies to maximize energy efficiency. As fiduciaries and long-term investors, we recognize that getting more use out of the energy we already produce is one of the fastest, easiest, and cheapest ways to significantly reduce emissions and to improve the bottom line of many companies in which we invest, especially with demand for energy increasing. Accordingly, we will:

- ◆ Call for policies at the local, state, and national levels that promote a doubling of the historic rate of energy efficiency improvements in developed countries (to 2.5% per year) and significant energy efficiency improvements in rapidly industrializing and other major energy-using countries.

Investors Signed on to 2008 Action Plan (as of February 13th):

Assets Under Management now signed-on: **\$1.75 trillion**

Pension Funds, Labor, State Treasurers, State/City Comptrollers

John Chiang, California State Controller

Rob Feckner, Board President, California Public Employees' Retirement System (CalPERS)

Jack Ehnes, CEO, California State Teachers' Retirement System (CalSTRS)

Bill Lockyer, California State Treasurer

Denise L. Nappier, Connecticut State Treasurer

Alex Sink, Florida Chief Financial Officer

General Robert Milligan, Executive Director, Florida State Board of Administration (SBA)

Michael Goetz, Chairman of the Board, Illinois State Board of Investment

Nancy K. Kopp, Maryland State Treasurer

Tim Cahill, Massachusetts State Treasurer

Orin S. Kramer, Chair, New Jersey State Investment Council

William C. Thompson, Jr., New York City Comptroller

Thomas P. DiNapoli, New York State Comptroller

Richard Moore, North Carolina State Treasurer

Randall Edwards, Oregon State Treasurer

Robin L. Wiessmann, Pennsylvania State Treasurer

Frank T. Caprio, Rhode Island General Treasurer

Andrew Stern, President, Service Employees International Union

Bruce Raynor, President, UNITE HERE

Jeb Spaulding, Vermont State Treasurer

Financial Services Firms, Asset Managers, Other Leaders in Investing

Geeta Aiyer, President, Boston Common Asset Management

Barbara J. Krumsiek, President and CEO, Calvert Group, Ltd.

Michael Johnston, Executive Vice President, The Capital Group Companies *

Jeff Skoll, Chairman, Capricorn Management LLC

Amy L. Domini, Founder and CEO, Domini Social Investments LLC

Don Rolfe, President and CEO, Ethical Funds

Karina Litvack, Director, Head of Governance & Sustainable Investment, F&C Management Ltd.

Peter Knight, President, Generation Investment Management, US

Vinod Khosla, Founder, Khosla Ventures

Stephen Dodson, Chief Operating Officer, Parnassus Investments

Joe Keefe, CEO, Pax World Funds

Rev. William Somplatsky-Jarman, Presbyterian Church (U.S.A.)

Michael Crosby, OFM Cap., Province of St. Joseph of the Capuchin Order, Milwaukee

Joan Bavaria, President, Trillium Asset Management

Timothy Brennan, Treasurer, Unitarian Universalist Association

Tim Smith, Senior Vice President, Walden Asset Management

Jack Robinson, President, Winslow Management Company

Foundations

Diane Edgerton Miller, President and CEO, Blue Moon Fund

Denis Hayes, President and CEO, Bullitt Foundation

Edith T. Eddy, Executive Director, Compton Foundation

Eric Heitz, President, The Energy Foundation

Jenny D. Russell, Executive Director, The Merck Family Fund

Lance E. Lindblom, President & CEO, Nathan Cummings Foundation

Stephen A. Foster, President and CEO, The Overbrook Foundation

Stephen B. Heintz, President, Rockefeller Brothers Fund

Richard Woo, CEO, The Russell Family Foundation

Sally Osberg, President, Skoll Foundation

Timothy E. Wirth, President, United Nations Foundation

Wren W. Wirth, President, The Winslow Foundation

Supporters in Principle:

Assets Under Management: **\$6.5 trillion**

Rob Lake, Head of Sustainability, ABP investments

Donald MacDonald, Trustee, British Telecommunications Pension Scheme (BTPS)

Kevin Parker, CEO, Deutsche Asset Management & Member Group Executive Committee, Deutsche Bank

Peter Dunscombe, Chairman, Institutional Investors Group on Climate Change (IIGCC)

Howard Jacobs, Trustee, Universities Superannuation Scheme (USS)

* = firm name listed for identification purposes only